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AMERICA'S AID TO CHINA

The China Aid Act of 1948 was approved by the U.S. Congress on April 3, after long and acrimonious debates and a condemnatory statement by the Senate Foreign Relations Committee which emphasised inter alia:

"The Chinese Government's inefficiency, corruption and bureaucratic maladies have become even more devastating in a period of dislocation and inflation. Ineptitude in military leadership and corruption among Army commanders have contributed largely to the lowered morale of the Chinese Government."

Although this announcement was later withdrawn, nevertheless the mood of even the advocates of American help to China was internationally publicised.

The China Aid Program (C.A.P.) provides for US\$338 million worth of commodities to be supplied to China during the period of one year, but it has not been specified whether this aid is to be booked as a loan or as a charitable grant. Furthermore, an amount of US\$ 125 million, as a free grant by the U.S., is to be given to the Government of China for purposes connected with waging the civil war.

The American Policy in China

Introducing the China Aid Act the American lawmakers have stated the following by means of explanation and justification of the C.A.P.:—

"Recognizing the intimate economic and other relationships between the United States and China, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in China endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations.

"It is the sense of the Congress that the further evolution in China of principles of individual liberty, free institutions, and genuine independence rests largely upon the continuing development of a strong and democratic national Government as the basis for the establishment of sound economic

conditions and for stable international economic relationships.

"Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to China, it is declared to be the policy of the people of the United States to encourage the Republic of China and its people to exert sustained common efforts which will speedily achieve the internal peace and economic stability in China which are essential for lasting peace and prosperity in the world.

"It is further declared to be the policy of the people of the United States to encourage the Republic of China in its efforts to maintain the genuine independence and the administrative integrity of China, and to sustain and strengthen principles of individual liberty and free institutions in China through a program of assistance based on self-help and cooperation:

"Provided, That no assistance to China herein contemplated shall seriously impair the economic stability of the United States.

"It is further declared to be the policy of the United States that assistance provided by the United States under this title should at all times be dependent upon cooperation by the Republic of China and its people in furthering the program:

"Provided further, That assistance furnished under this title shall not be construed as an express or implied assumption by the United States of any responsibility for policies, acts, or undertakings of the Republic of China or for conditions which may prevail in China at any time."

Control & Disposal of American Supplies

Originally the supporters of aid to China had submitted by far larger amounts to be granted, on purely political and military grounds, to the Nanking Government but the opposition among even the most outspoken critics of Communism even-

tually led to the scaling down of the exaggerated figures.

The flow of commodities under the C.A.P. allocation of US\$ 338 million has already started; the scope of these deliveries has been described in our issue of March 31, pp. 304/5.

Except for the military supplies financed from the \$ 125 m. grant all commercial commodities will, after unloading in China, be turned over to the Nanking authorities who, under instructions from the U.S. Administrator of China Aid, are to sell them to the general public with proceeds, in Chinese money, to be deposited in a special fund.

The fund is under control of the U.S. Administrator who is empowered to permit or refuse the disposal of the periodically accumulating funds in such way as to give priority consideration to Chinese relief projects. Sales prices in China of American supplies are to be determined by the American official. The Administrator, moreover, is authorised to exercise full controls over the movement and disposal of American supplies.

Possible Diversions

It is, however, taken for granted that, as in the case of the wholesale malversations of Unrra help to China, there will be innumerable cases of graft, pilferage and diversion of supplies, and many commodities will be re-exported the foreign exchange proceeds of which will go into the caches of flight capitalists.

The previous American grant to China, the so-called post-Unrra American aid to China, which started in early winter 1947, amounting to a total of US\$ 45¼ million, has already been discovered, to some extent, to have been diverted by private interests for their own benefit. Investigations have been carried out but no results as yet have been made public.

Effects of the C.A.P.

Although the character of the C.A.P., apart from the \$125 million military aid grant, is purely political and has been understood so both by the American and Chinese peoples as to be intended to stem the Communist

REVIEW OF THE SITUATION IN CHINA

Report by the Chairman of the British Chamber of Commerce in Shanghai

At the annual general meeting of members of the British Chamber of Commerce in Shanghai, on April 30, the Chairman (Mr. John Keswick) reviewed the general economic situation in China. Following is the verbatim report.

* * *

Since the last annual report of this Chamber, much water has flowed down the Whangpoo and as usual a lot of it has been very muddy. It is, however, a satisfaction to record that those who in 1947 predicted dire and

tide and allow the Nanking authorities some more breathing space, the import of commodities from the U.S. valued \$ 338 million should have several economic effects during this year.

First, essential import requirements by China, otherwise to be financed from the scanty resources and slowly accumulating exchange funds of the Nanking Treasury, may now be reduced and freed amounts in foreign exchange might be allocated for such essential commodities which are not included in the C.A.P.

Without these American supplies the economy of Nanking could not have expected to maintain even its emergency import program; failing any increase in exports and confronted by an increasingly adverse balance of foreign payments the Nanking Treasury was completely dependent, for the future existence of the State, on the help which now at last is coming to China. The Chinese official arguments in Washington, at a time when it appeared that American opposition to the C.A.P.—often termed in the U.S. "Operation Rathole"—might frustrate Nanking's efforts, were correctly stressing that the collapse of the Nationalist Government was imminent in case of either denied or delayed American help.

Secondly, the State expenditure for many items should be less pressing as American supplies can be allocated to government clerks in lieu of payment, rationed commodities can be supplemented from C.A.P. supplies and the army can be provided with part of its foodstuff and clothing requirements from the same American stores. The State Budget should, therefore, be less out of any semblance of balance.

In spite of the C.A.P. and the good results it may bring for the alleviation of stress under which the Government and the people live, the progressing civil war, the debauching of the currency, the decrease of production, the corroding influence of ever wider spreading graft, complete loss of faith in the ability of the Government to bring the ship of State to an even keel, and the moral disintegration of the community will frustrate all endeavours by foreign countries to guide China back on the way to order and stability.

immediate disaster for China's economy have been proved wrong, for we still carry on today in the same spirit of perseverance as has characterised the two and a half years since the war.

Appreciation for Assistance

Before proceeding with main points of this report I must record the very satisfactory cooperation this Chamber has received from our Chinese and foreign friends.

I must record the recent promotion of Mr. J. C. Hutchison, C.B.E., to H.M. Minister (Commercial). The Chamber are greatly indebted to Mr. Hutchison and his able staff for the manner in which they protect our interests. We were happy to learn of his well earned promotion.

Official Chinese Exchange Rates

You will probably recall that at our last annual general meeting I drew attention to the stagnation of exports due to the official rate of exchange of CN\$12,000 to US\$1, and 48,000 to £1, remaining unchanged from February 1947 until 18 August last year. At this latter date the Governor of the Central Bank, who has worked so hard on trade problems, announced the formation of a Foreign Exchange Equalization Fund Committee with the object of quoting realistic rates in order to encourage exports and overseas remittances; besides announcing stricter rules for the control of import licenses.

The first cover rates quoted by the Fund Committee were CN\$39,000 to US\$1 and CN\$124,800 to £1. The rates were then about 10% under the black market.

Failure of Chinese Official Exchange Policy

Everything went well at first. As is usual with a new broom many cobwebs were swept away and it was thought that at last the exporter would get the chance which was essential if China's produce is to move ahead.

Unfortunately, this state of affairs did not continue. Prices forged ahead due to the vicious spiral of inflation and the credit policy of the Government. The Fund Committee appeared to be unable or unwilling to adjust their rate to keep in line with the export commodity prices.

This has had the tendency of slowing down exports through ordinary merchant channels to very small proportions and of diverting the business into unscrupulous hands or the Government agencies.

Discrimination against Private Enterprise

Unlike the merchant firms who are limited in their trading capacity to the extent of their own assets, the official organisations are reported, on very good authority, to face no such restrictions and to have very wide credit and currency facilities.

The Equalization Fund Committee has no doubt accomplished good work. If this Committee could only continue unhindered by politics along its original path of quoting realistic rates, and the Government, through the Central Bank, could extend its Control of the credit policy of the various Government organisations, it is still not too late to try to revive the export industry of this country, provided free enterprise is encouraged instead of being discouraged.

Progressive Inflation and CNS Depreciation

To last year's progressive table of official exchange rates is added a figure for 1948, thus preserving the record of the continued decline in the value of CN dollars as follow:—

In 1944	US\$1—CN\$20
1946 (March)	2,020
1946 (August)	3,350
1947 (February)	12,000
1948 (March)	258,500

This shows that local currency depreciated much more rapidly in 1947 than in 1946. During 1947 it depreciated 21.7 times as against 2.7 times in 1946.

Rates of Interest

Rates of interest are also very indicative of China's financial position:—Bank's rate on Loans and Overdrafts:

	8% per month
1/4/47	10% " "
7/5/47	10% " "
1/10/47	11% " "
12/10/47	14% " "
7/4/47	11% " "
1/12/47	14% " "
15/3/48	16% " "
23/3/48	18% " "

No Silver Standard

During the past six months there have been several reports of plans for China to return to the use of silver or metal coinage. From a traditional and psychological point of view it would be a most desirable step, but the practical difficulties of introducing and maintaining metal currency seem so great as to exclude the possibility.

Prohibition on Outward Remittances

It is very disappointing to have to record again that no facilities have been granted during the past year for the remittance of profits, family maintenance, life insurance and other important requirements such as commissions earned abroad. Needless to say this situation does not encourage the investment of foreign capital in China.

American Aid to China

After months of discussion, this is now a reality. The sum now made available can only have a most beneficial effect and this Chamber welcomes whole-heartedly these munificent projects from the United States. If the

services of the very extensive British trading, banking and industrial machine in China can be of any assistance to the Chinese or American authorities in the furtherance of their objectives, they may be assured of prompt and complete cooperation.

Imports into China

Despite pessimistic expectations the total imports into China including all Government imports during 1947 in terms of sterling converted at official rates of exchange amounted to £134.9 millions as compared with £142.6 millions in 1946—a decrease of 5.3% only.

The following table of China's monthly imports for 1947 showing the value of the imports from Great Britain together with the percentage of this figure to the total of China's imports is of interest:—

Imports	Total into China
January	£10,994,543
February	10,590,272
March	8,776,531
April	10,621,667
May	10,640,668
June	10,866,559
July	14,727,313
August	19,153,285
September	11,940,289
October	10,917,289
November	8,521,677
December	7,190,452
	£134,940,744

When I made my last report in July 1947, there was some apprehension felt in regard to future trading owing to the slowness of the machinery set up to administer the revised Foreign Trade Regulations issued in February. I am pleased to say that there has been a marked improvement since then and it is hoped that under the able directorship of the Director of the Export-Import Board, Mr. P. H. Ho, some of the difficulties experienced by the importers last year will be eliminated.

Import Licences and Inefficiency

The main troubles now experienced by importers are the delays in issuing licenses and the arrears in quota allocation, neither of which can be blamed on the Import Board as the delays appear to be caused by over-all changes in policy and regulations by the Government and slowness in making exchange available to the Board.

I would like, however, to welcome the new policy of the Government in giving special import facilities to raw materials intended for fabrication into finished goods for export. This is an important step in the direction of freeing international trade from irksome and hampering restrictions. On the occasions that this Chamber has had cause to make representations to the Board we have been met with the utmost courtesy and our suggestions have received every consideration.

Establishment of a second official Exchange rate

New revised Foreign Trade Regulations and Foreign Exchange Regulations were issued on 18 August, 1947.

The main feature of these Regulations was the establishment of a second and more realistic rate of exchange which allows, as I have already explained, for fluctuation under the control of a Stabilization Board. It was hoped that the official rate would keep pace with the rising cost of commodities, but within a very short while the gap again widened. The effect has been most serious for exporters, on which point I will enlarge later in the report.

Unauthorised Imports

In October further regulations were issued in regard to the purchase of unlicensed imports by the Government with a special three year foreign exchange scrip, one-sixth of which was payable at the end of each six months. The imports referred to being goods

From	Gt. Britain	G.B.'s %
£	734,598	6.6%
	884,116	8.3%
	1,081,447	12.3%
	722,266	5.8%
	932,971	8.7%
	789,352	7.2%
	1,054,915	7.1%
	2,117,177	11.0%
	594,391	4.9%
	464,873	4.2%
	626,684	7.8%
	421,697	5.8%
	£10,424,487	7.7%

which had already arrived or had been shipped from abroad prior to 16 August, 1947. The importer was given the option of re-shipping the goods abroad within 60 days.

From all reports it would appear that British firms had taken a cautious attitude towards the previous regulations in regard to the necessity of obtaining import licenses prior to shipment and consequently few were affected by these regulations.

Unreasonable Import Control

Import quotas have proved to be as difficult to handle as was expected last year. There have been many cases of established importers with ridiculously small quotas—or even none at all, and other newcomers to various trades with quotas which they cannot fill owing to having no suppliers or connections abroad. This situation is obviously unreasonable and not to China's advantage.

The regulations in regard to the allocation of quotas was amended during August to provide for the grant of 50% of the total quota allocation to the manufacturers direct, and an organization called the Federation of Shanghai Industries was set up to register manufacturers and to make recommendations to the Import Board regarding the allotment of quotas to registered manufacturers. Although some apprehension was at first felt in regard to the manner in which such allocations would be made, no evidence of unfairness has come to light, but of necessity the organization has to provide for so many claimants, whose applications may not always coincide

strictly with fact, from the limited quota sum at its disposal, that in consequence the allocations have been in all cases far below adequate level and in many cases purely nominal.

Raw Material Shortages

There has been growing apprehension at the steady shrinkage of raw materials reserves for industry and widespread unemployment this summer had been feared especially in the cotton spinning trade. The passage of American aid promises hope of a postponement of this crisis.

Unfavourable Export Position

Once again I cannot be optimistic regarding the Export Trade.

The Government acknowledge the pressing need for its urgent recovery and are making every effort to stimulate the trade, but until such time as a realistic official rate of exchange is granted, this very important link in the chain of China's economic well being cannot be maintained.

The price of China's exportable products owing to high cost of goods and services, together with the unrealistic official exchange rate, precludes competition on world markets.

It was hoped that the revised Foreign Exchange Regulations providing for a variable exchange rate would stimulate the trade but the failure of the Foreign Exchange Equalization Fund Committee to keep the official rate in line with the depreciation in the value of the currency has resulted in exporters relying on a most precarious method of doing business by purchasing goods in CN dollars, often at prices above world market quotations and in advance of export. The goods are then stored in the hope that the official exchange rate will advance and thus permit export with a margin of profit in Chinese dollars, but actually at a loss if the intrinsic worth of the dollars be considered. A most unsatisfactory method of doing business but one which has been practised for some time especially in the bristle, furs, hides and skins trade where Government buying has not been a factor.

Barter Trade by Government

There has been criticism of the Government entering the export trade, through the medium of the Central Trust. In fairness to them, however, it must be pointed out that the Chinese Government has obligations under barter agreements with several countries and a Government purchasing organization is, in consequence, a necessity. Such an organization is also desirable, in fact necessary for any rehabilitation program designed to promote the export of China's major commodities, for instance silk, eggs, wood-oil, beans and tea. Trouble arises, however, when these Government organizations enter into direct competition with the private exporter be he Chinese, American, European or British.

Chinese Maritime Customs

There is one further point of general importance in trade to which attention should perhaps be drawn. The Customs' service is now not only the Government's duty collecting machine but it is also the practical guardian of the mechanics of all foreign trade, imports as well as exports. In both capacities the efficiency and integrity of this great organisation are of paramount importance.

Labour Problems And Wages

The problems of labour continue to occupy the attention of industrialists. Recently an unsuccessful attempt was made by a number of Chinese factory owners to induce the local authorities to freeze the existing labourers' index in view of recent rapid monthly index increases. The contention was put forward that industries are already handicapped by high costs, and that continuation of figures would result in industries not being able to meet the ever-rising costs of production leading in some cases to factories having to close down. The Bureau, however, ruled that the index provided the labourers' cost of living and that any move to freeze this index would lead to serious repercussions from labour. The authorities are fully aware of the position, and they are making a genuine attempt to find a solution.

Trade unions continue to be active. There is a general move by industry to provide better labour conditions in accordance with Chinese Factory Laws. Relations between labour and British firms have improved considerably during the year.

In terms of real wages, as evidenced by statistics drawn up by the Chamber of "Take Home" pay, the standard of earnings of labour in particular and to a lesser degree of the "white collar" staff has improved.

Basic salaries and wages have become stabilised to present conditions and the Cost of Living Index produced by the Municipal Government is being accepted by wage earners as a reasonable and fair basis of payment.

Business houses, both Chinese and foreign, are however still faced with the situation arising from the flood of inflation. The problem of adjusting income to overheads as well as the continuous rise in commodity prices is an ever-present difficulty for firms to overcome.

Stock And Share Market

During the past twelve months there has been a large turnover in Chinese and foreign stocks and shares at steadily advancing prices, and whereas previously dealings were for the most part confined to professional operators, now interest has become widespread, and the number of genuine investors greatly increased.

The predominant reason for this large demand has been, of course, that the share market affords a

reasonable measure of protection against the continuous depreciation of the Chinese National Currency; the difficulty in adequately employing idle funds for other business purposes has also resulted in channelling these funds into the stock and share market, especially the foreign section.

Investors appear to be of the opinion that so long as the present business restrictions are in force the share market will continue to provide a useful medium for the absorption of funds which would normally be otherwise employed, and the volume of business is expected to be well maintained so long as the present state of currency instability exists.

Taxation

The taxation problems in the past year have shown no improvements over the difficulties mentioned in my report last year.

The Government has just promulgated a new Income Tax Law, but it has not been possible to prepare a translation yet. From previous reports of the proposed schedules that have appeared in some newspapers—it would appear that the differences in assessment of tax between companies whose Head Offices are registered abroad are to be abolished, and that all companies will now pay income tax in relation to their profits. It would also appear that the Excess Profits Tax Law is to be abolished and not replaced by a similar kind of tax. These changes give substance to the expression of the Chinese Authorities that they were unable to consider capital of companies domiciled abroad, as the capital of such companies cannot be proven.

To obtain revenue speedily, the authorities are now requiring the payment in advance of six times the amount of income tax paid by companies for 1946, regardless of the income earned during the year 1947, adjustments being made after the submission and approval of income tax return for 1947, by such companies.

Payment of income tax on salaries was reinstated with effect from last July; the rates have been recently changed and appear likely to be changed again. The rates of taxation under the Business Tax Law, Special Business Tax Law, Stamp Tax Law and Business Licence Tax Law have all been changed or are being changed.

One of the many difficulties both to the tax payer and to the Direct Tax Officials as collectors of the tax is that many of the changes are not made by formal legislative methods but by Ministerial orders, and notices of such changes are only discovered from reports in newspapers and not through official notification, while the Tax Officials themselves are informed through a very slow official channel with the results that the tax payer often sees such reports in newspapers which may or may not be accurate; while the Tax Officials have to await for official notification, which leaves both parties with a feeling of frustration.

Different Tax Collections

Another difficulty is that the wording of the law and orders are often liable to differing constructions, thus producing a further complication by the fact that the tax officials in various parts of the country apply them differently, and the collection of taxes differs from area to area.

Consolidated (Commodity) taxes levied on certain commodities are now adjusted monthly instead of quarterly as was previously the case. This may be a consequence of the rapid rise of prices but these monthly tax adjustments in themselves further aggravate price increases. There is the danger, therefore, that repeated adjustments of this tax may well provide incentives for tax evasion and bring the law of diminishing returns into operation.

Chaotic Conditions in Chinese Tax System

The old method of raising money for provincial or other purposes by means of levies on goods being transported or sold, is commencing again in various provinces and it is hoped that the Chinese Government will correct this.

To sum up, the multiplicity of taxes and the complicated procedure of their authorization, coupled with the non-uniformity of their application, leads to a discouragement of trade and inevitably to increasing wide breaches of the tax laws.

Last year I said "a genuine effort is I am convinced" being made by all members of this Chamber to comply with their liability to taxation of all kinds. Experience of the past year, however, confirms a previous observation that "the simpler the Tax Laws the more easily can they be effectively administered" I would only add to this "and the greater will be the revenue from this source." These remarks are still very true today.

Insurance Problems

In my speech a year ago I made reference to the fact that most Foreign Companies had not received their Permits from the Ministry of Finance to commence writing business. The hope expressed at that time that the issuance of these Permits would not be long delayed has not materialised. Despite the most energetic action on the part of the Companies the Ministry has released 13 Permits only out of some 80 applied for. The main stumbling block appears to be the inability of the Companies to comply with the Ministry's regulations in the matter of furnishing proof as to their underwriters' qualifications. A requirement which is felt to be unduly restrictive and which is now the subject of official representation to the Ministry.

I also referred in my speech last year to the dissolution of the Foreign Insurance Associations. Although most, if not all, of the Foreign Companies joined the Chinese Association or Guild it appeared unlikely, despite promises to the contrary, that the Foreign Companies would be given

any voice in the affairs of the Association. Within the last month, however, certain foreign insurance officials have been invited to serve on the Marine, Fire and Accident Sub-Committees of the Chinese Association and we must regard this as a step in the right direction.

The Companies view with concern the continuing lack of facilities for re-mitting funds out of the country. It is felt, however, that the Authorities are well aware of the necessity for Insurance Companies particularly to have their funds liquid and that ways and means will eventually be found to surmount the present difficulty. The Companies are also concerned with the unrealistic attitude which is being maintained in refusing to allow the issuance of local policies in other than Chinese National Dollars. The Government cannot be insensible to the difficulty confronting the insuring public who are now forced to accept protection in a depreciating currency; a situation which adversely affects their own nationals to a far greater degree than anybody else.

It is gratifying to record some improvement in the matter of Theft and Pilferage Losses and this can be attributed in the main to the improvement in wharf and godown services. Underwriters would like to see, however, a quickening up in the disposal of cargoes which are awaiting clearance licences. The "Fire" loss experience continues to be excellent and will no doubt remain so during this time of inflation and import restrictions which provide the incentive for exercising more than usual care in the protection of goods.

Land & Houses

It is satisfactory to be able to record that the registration of title deeds is progressing satisfactorily under the agreement reached between the Mayor and H.M. Consul-General, although very slowly and eventually deeds of ownership will be received for all ex-British Consular Lots.

Rents are still controlled on an inequitable basis, the latest ruling from the Shanghai Municipal Government being 7,000 and 9,000 times the August 1937 rental for dwellings and shops respectively. No change in this ruling is to be permitted for 6 months from the time it came into force, nevertheless, all wage earners continue to be paid each month in accordance with the cost of living index. This ruling will undoubtedly nullify a great deal of the work done by some of the land companies whose tenants had signed leases on basic rentals multiplied by the clerical workers' cost of living index.

This latter method of computing rentals on properties mainly occupied by Chinese workers is as far as anything that can be devised and the authorities who are responsible for the present ceiling rentals could not do better than leave the tenant and landlord to arrange their rentals on this basis. Chinese tenants occupying properties of the type where basic rentals have been arranged are very capable of protecting their own interests and

can do so without any assistance from the authorities.

As long as rents are controlled on a money losing basis, there can be no inducement for either individuals or companies to consider any new building projects and in consequence there can be no relief from the over-crowding of all properties and the collection of key money from incoming tenants.

Shipping Restrictions

From what I have said of the factors that restrict the volume and value of China's imports and exports, it naturally follows that the year has not been a good one for British shipping. Calls of Ocean liners are no doubt as frequent as our trade at present deserves but they are few and far between compared with pre-war days. Nonetheless, we may gain encouragement from what we hear, if all too rarely see, of the fine new vessels built and building to fly House flags familiar in these waters.

The fortunes of shipping are so much at the mercy of economic politics that no-one would care to prophesy quick improvement. However, the shattered economies of the neighbouring countries with which China has a tradition of trade are being steadily restored and prospects for those engaged in short-sea shipping are reasonably good. Japan, though under rigid control, is beginning to exchange goods on a fair scale with the outside world: the end of strife in Indo-China and the East Indies is I hope at last in sight and it only remains for China herself to reach a condition in which she can free her trade for the prospects of shipping, as of any other commercial activity, to brighten in like measure.

China has maintained the policy of Coastal reservation, but the reduced British coaster fleets continue to be busily employed with Hongkong as their hub. Those in this country who identify the exercise of sovereignty with the right to exclude have remained in the ascendant over those who identify it with the ability safely to admit, and nothing has come of recurrent talk about reopening to all comers the Yangtze ports that are accessible to overseas shipping. Conditions in the Yangtze basin, as elsewhere have however been such that British shipowners would hardly have been eager to deviate liner tonnage even if this had been politically possible.

The Authorities deserve the thanks of the shipping community for their continued efforts to improve conditions in this port, but there is one feature that has given cause for disquiet; this is the dissatisfaction of the established and experienced pilots with their service conditions. The needs of the situation are clear, fair terms and proper security for the old hands until their retirement, sound and sufficient training for their professionally qualified Chinese successors. Lives and enormously valuable property are at stake and Shanghai cannot afford disasters that can be laid at the door of over-confidence or impatience.

Air Transport

I am pleased to say that the development of air transport has continued throughout the year. It was most gratifying to see the inauguration of the first British Air Line into Shanghai on the 2nd December, 1947—the Hongkong Airways—a subsidiary of the B.O.A.C., who now run a service three times a week between Hongkong and Shanghai.

Railway Losses

The story of the railways of China for the past year has been one of wanton destruction and interference north of the Yangtze and steady progress south of the Yangtze.

Information about railway conditions in the north is meagre. A good service, with few interruptions, has been maintained between Peiping and Tientsin. The Peiping Suiyuan Railway has recently been cut at Tatung, but traffic continues between Peiping and Kalgan. The Tientsin-Pukow Railway has been kept open between Pukow and Tientsin and intermittent operation of the southern section of the Peiping-Hankow Railway and some sections of the Lunghai Railway has been carried on.

South of the Yangtze, the lot of the railway man has been more fortunate, but no less arduous. The Nanking-Shanghai and Shanghai-Hangchow Railways have been operated to capacity and have provided a valuable public service. On the Chekiang-Kiangse Railway, the section from Hangchow to Nanchang and from Nanchang to Kiukiang have been reopened to traffic, and great efforts are being made to repair the section from Nanchang to Chuchow, so as to link up with the Canton-Hankow Railway. On the Canton-Hankow Railway steady improvement has been noticeable. Temporary bridges have been replaced by permanent structures, the track has been strengthened and many buildings restored. The bridge at Henyang, to connect the Canton-Hankow Railway with the Hunan-Kwangsi-Kweichow Railway, has not yet been rebuilt, but operation of the line from Henyang to Tuyuan, through Kweilin and Liuchow, has been resumed.

Railway Rehabilitation

This steady progress in the rehabilitation of the southern railways is encouraging. But these railways are still short of materials and equipment, and are badly in need of assistance. In nearly all cases, moreover, they have operated at a loss throughout the year. That may be attributed in part to poor administration, but more largely to unremunerative freight and passenger charges. Unfortunately, the Government has shown no sign of any intention to develop the railways on a commercial paying basis, and has failed to meet obligations to railway bondholders, even in cases where the railways have operated at considerable profit. While such conditions persist, the railways, as a market for the sale of materials

and equipment, must be regarded with suspicion.

China's Defaults and Refusal to pay

While our Mayor and his Government have made many day to day improvements in the administration of this City there are several large problems which remain to be solved.

Over two and a half years ago the Chinese Government took over all the assets of the former SMC; I regret having to make the point that none of the S. M. C.'s liabilities has yet been discharged. This is particularly unfair to the S. M. C.'s employees and one had expected that the Liquidation Commission would have dealt satisfactorily with their claims long before this. Unfortunately agreement between Chinese and Foreign members of the Commission proved impossible and the employees' case had to be referred to Nanking last June.

At a time when China is herself the recipient of so much generosity from others I feel entitled to express a hope that she will display the same virtue in her treatment of the men and women who played a large part in the efficient growth of this the largest city in her country.

China's Disregard for her Obligations

Similarly in January of this year the City Government notified their intention of redeeming the S.M.C. Loan of 1933 on a dollar for dollar basis. This is most inequitable when it is considered that a large proportion of the investors were individuals who had placed their savings in these bonds and many firms had placed their employees' provident funds there. The decision is all the more surprising when recent rulings of the Chinese Courts are considered on the repayment of pre-war loans with special reference to the statements issued with these rulings that the circumstances of the lender had been taken into consideration.

It is hoped that the appropriate authorities will reconsider both of the foregoing points in view of the widespread suffering which their decision would entail.

Parliamentary Mission

A Parliamentary Mission visited China under the leadership of Lord Ammon in October. We were fortunate in being able to entertain them and to offer our services in the hope of assisting to make their visit both profitable and enjoyable. It is surely a mark of friendship that the Chinese Government should have invited Parliament to send a Mission to this country.

Unsatisfactory Conditions in China's Law Courts

As nearly five years have elapsed since the abrogation of extra-territoriality and we are able to look back on nearly three years of trading under Chinese Law, I feel it is necessary to mention this subject today.

INDUSTRY & LABOUR

Japanese Goods and Local Manufacturers' Apprehensions

Since several months the import of miscellaneous Japanese manufactures usually branded "Made in Occupied Japan" has increased and shops and hawkers are displaying such goods which find ready buyers. Local manufacturers have become excited about the prospects of a further increase in imports of such consumer goods into Hongkong which the Colony's industry also produces and which usually find a good though small market. Moreover the concern of many local factory owners has been heightened by the steady expansion of the scope of Japanese export industries and the probability of Japanese successes in selling ever larger quantities of well-produced commodities in other Far Eastern markets.

Complaints & Protests

Last week the Hongkong Chinese Manufacturers' Union, the Hongkong Cotton Weaving Manufacturers' Association and the Singapore Chinese Textile & Sundry Importers Union requested those Hongkong Chinese merchants which at present take part in the British Industries Fair in London to persuade the British authorities to reduce Japanese exports to Hongkong and the "South Seas" (meaning Malaya, Siam, Indonesia, Philippines, Burma etc.). The complaining manufacturers were much irked about

SCAP's policy of promoting Japan's economy and they accuse, in agony, the Americans of "dumping" and "flooding" foreign markets with Japanese products.

Protection against Competition

There have been recently many cries against the resumption of active trading by Japan; although the motive for quite a few accusing and clamouring manufacturers is purely economic as they desire to eliminate competition, the line which has been taken was to arouse animosity against Japanese sales abroad by playing on the emotional bias against the former enemy country.

Instead of improving their own manufactures and marketing practices, establishing public confidence in their brands, reducing costs and profit margins, the out-of-date cry for protectionist measures by the authorities is raised again. In the case of the most formidable and overpowering competition offered local manufactures by American output much wailing has been heard and proposals were made by individuals to raise here a protectionist tariff against low-priced, mass-produced American consumer goods. That Hongkong is a Free Port and has achieved the status of one of the world's leading entrepôts, that the majority of local residents live on trade

These years have seen a multiplicity of new laws, decrees, Ministerial orders, rules and regulations. In the main the actual law appears to have been based on those of Europe and America but attuned to fit in with China's needs and is expressed in the Chinese legal idiom with the result that at times it is difficult to translate the precise meaning into English and even Chinese lawyers find it difficult to define with exactitude the intention, scope and operation of the law.

From time to time attempts are made by various ministers to override the authority of the Courts and of the legislature by means of decrees and orders and the Courts seem to be aware of this fact. The judges are underpaid and over-worked, thus cases take many months before they can be heard. The congestion of the Courts is further increased by the singular causes of action brought by some litigants. Consequently there is a considerable delay in obtaining the assistance of the judiciary.

The pressure on the Courts and the various other factors just mentioned account for the fact that the commercial community are most reluctant to seek the help of the courts, which results in the inevitable compromise settlement of cases out of court. This is an unsatisfactory situation and one which it is hoped will be remedied in the not too distant future.

Outlook

It has been difficult to follow the course of the war in China during the last year, but the plain facts of the military situation as reported in the press seem to be that the Nationalists have lost ground and the Communists have gained. This is particularly true of Manchuria. In America we have watched conflicting views battling over aid to China; in regard to both financial help and military support. All of us have noted with satisfaction that America will give all the aid she can afford. We also hope that it will be given in a way which will be most beneficial both to China and to the democratic forces of the world. Reports by this Chamber have never touched on politics and therefore I will not attempt to define the relative positions of the Kuomintang and the Communist Parties. However, the Chamber, like the vast majority of people living in China today, has only one hope and that is that there will be peace and that it will come soon. The critics who forecast quick disaster have been confounded and I will hazard a prediction that this time next year China and Shanghai will still be carrying on. Changes, and changes there will be, will come slowly. All of us hope, and most of us believe, that they will be for the better.

and related services, is quite forgotten by these naive manufacturers.

Progress of Japanese Production

As long as the anti-Japanese bias remains with many Chinese and Europeans some capital can be possibly made of the bogey of Japanese dumping of goods in foreign markets. However, as the enemies of yesterday turn into the friends of today while yesterday's brothers-in-arms assume ever more menacing proportions—imagined or real—the progress of Japan's economy, and consequently her industrial export potential, is inevitable and no amount of protests will achieve any palpable results.

The resumption of Japan's position as a major supplier of commodities especially to the economically backward peoples in the Far East should enhance the spirit of genuine competitiveness and lead to better and more abundant output.

Those manufacturers and their spokesmen, many of whom being political sentimentalists, who wish to thrive by barring Japanese commodities from their markets, lack either in ability to produce their goods in a free market or they have so little con-

fidence in their own strength that they despair before the commercial race has even started.

Advantages of Trade between Japan and Hongkong

The re-appearance of Japanese consumer goods in local and other Far Eastern markets stimulates business, is conducive to more comprehensive trading and is tending to reduce costs for the general public's benefit.

Exports to Japan will, at the same time, contribute to an enhancement of international and particularly Far Eastern commerce.

The slowly returning prosperity of the Japanese people, to a good extent being a consequence of generous American assistance and the hard toil of the masses, must in turn favourably reflect on the advance in the material well-being of other communities.

In fact, the considerable amount of commerce conducted between Hongkong and Japan during the past eight months (since resumption of private trading with Japan, last August) has amply contributed to the expansion of the Colony's trade and thus helped earn local merchants, shippers etc. substantial profits.

Except for the South China Textile Co. Ltd., both the Nanyang and Peninsula cotton mills are being operated only on a small scale at the moment. Skilled labourers have to be brought down from Shanghai. The managements are now concentrating on the training of local recruits, and engineers are now making further adjustments to looms and spindles as some of them had been in use as far back as 1914 which fact is causing some delay in production.

Labour Dispute

An unfortunate minor labour dispute developed in the Nanyang Cotton Mill towards the end of April, which is still being ironed out by management and workers in conjunction with the advice of the Labour Office.

The cause for the trouble is the competition between local (Cantonese) and Shanghai workmen. The unskilled or semi-skilled local labourers are dissatisfied with "discriminatory" treatment seeing that the Shanghai imported mill hands receive considerably higher wages.

It is unfortunately true that Shanghai skilled labour is superior to the local skilled hands, by and large. The recently established cotton spinning mills find themselves greatly embarrassed by the extreme shortage of skilled labour and are compelled to get to the Colony a large number of Shanghai workers who not only are much better qualified to operate the spindles and looms but also perform the indispensable service of training the rather clumsy local mill hands.

Another reason for differences between local and Shanghai workers, male and female, is found in the strikingly varied pattern of speech and behaviour. The more modest and quiet Cantonese worker encounters in his Shanghai confrere an aggressive individual who combines energy with acquired skill and uses his obvious advantages over his Cantonese co-workers without any discretion.

Possible Labour Troubles

In future, when a larger number of cotton spinning mills and other factories with Shanghai recruited labourers will be operating here, one will have to accustom oneself to a series of internal disputes and strifes which will pose many problems for the managers of the new enterprises.

Industrial peace must be planned and the spirit of cooperation between Chinese labourers, hailing from whatever corner of the vast country, will have to be carefully fostered. The arrival of ever more Shanghai factory hands should require managers of respective industries to educate their workmen so that no unnecessary strife may develop and no obstruction to smooth production be allowed to grow.

Hongkong Industrial Report for April

With 36 new registration certificates issued during the month of April, the total number of registered factories and workshops in the Colony as at the end of April was 988, of which 253 are located in Hongkong and the other 735 in Kowloon. Of the 36 new industrial enterprises, 12 are on the Island and 24 on the Mainland.

During the month under review, 39 applications for registration were submitted by industrialists to the Labour Office. Together with the previous ones, these 39 applications are being studied and their respective factory buildings and the installed machinery are being examined by Inspectors of the Labour Office before registration certificates will be granted to them.

Twelve of the 39 factories will be established in Hongkong and the remaining 27 in Kowloon. Several factories possess already completed buildings and the necessary machinery in preparation for eventual operation as they receive registration certificates from the Labour Office.

New Factories

The 39 new applications cover the following industries:—

7 metal ware works, 7 weavers, 3 saw mills, 2 enamel ware factories, 2 printing shops, 2 laundries, 2 cotton spinning mills, 1 dyeing factory, 1 flour & rice mill, 1 knitting mill, 1 cement tiles factory, 1 electro plating work, 1 rubber tyre (retreading) factory, 1 engineering workshop, 1 rubber ware factory, 1 camphor factory, 1 cloth calendering factory, 1 building

materials plant, 1 biscuits & confectionery, 1 canned goods manufacturer and 1 stone crushing mill.

Twelve registration certificates for factories were cancelled in April. The number of such certificates cancelled up to April 30 totalled 151.

Total number of applications received by the Labour Office up to April 31 was 1,406.

Reduced Operation Scale

Import restrictions imposed by the governments of Siam, India and the Philippines, coupled with keen American competition, have had a marked effect on the production figures of many local industries with the result that factories engaged in several industries were obliged to reduce their labour force and to operate at about 50% of capacity only.

Industries most affected by these restrictions and the keen American competition were those engaged in producing electric hand torches, rubber shoes, cigarettes, textiles and certain small metal wares such as cigarette cases and soap containers, and also bakelite wares.

Cotton Spinning Mills

Two cotton spinning mills went into partial operation in April. They are the Peninsula Spinners Ltd. and the Nanyang Cotton Mills Ltd. With the operation of these two mills, there are today three cotton mills in operation in the Colony—the other one being the South China Textile Co., Ltd.

HONGKONG'S INDUSTRIAL LABOUR

On account of a progressive retrenchment scheme adopted by the Royal Naval Dockyards since the beginning of this year, the total number of labourers employed in Government registered factories and workshops as at the end of the first quarter of this year showed a marked decrease of 3,849 workers, or nearly 6 percent when compared with that of the end of the previous quarter (64,499 labourers as at Dec. 31, 1947).

Reduced by 6,908 workers in the current period under review, the Colony's shipbuilding and repairing industry, which had been always the largest employers in local industries, now has dropped to the second place with a total of only 11,356 labourers, being 1,806 workers less than those employed in the textile industry.

The third largest group of employers is the metal industries with 5,794 workers, followed by the rubber ware industry with 5,171 workers and the paper and printing industry with 4,148 workers.

Male and Female Labour

Of the 60,650 labourers engaged in Government registered industrial establishments as at the end of March, 40,840 workers, or 67 percent are males and the remaining 23,659, or 33 percent are females.

Against their respective figures in the previous period, the number of male workers in the current quarter dropped by 5,070 and the number of female workers increased by 1,221. The sharp drop in male workers is attributable to the Royal Naval Dockyards' retrenchment scheme, and the increase in female workers was brought about by the opening of new cotton mills and more employment in weaving and rubber ware factories.

Better Employment

Among the industries which recorded increases in the number of workers, during the quarter ending March 31, over the previous period are:—Rubber ware industry increase by 1,623; Textile industry by 669; Metal industry by 349; Paper and Printing industry by 345; Construction Material industry by 178 and Engineering industry by 119.

Those which registered decreases include:—Shipbuilding & Repairing industry a drop by 6,908; Chemicals and Paints industry by 169; Food, Drinks and Tobacco industry by 135; Clothing industry by 35; Public Utilities by 28.

FOLLOWING IS THE LIST OF HONGKONG'S INDUSTRIAL ESTABLISHMENTS—CONSISTING OF 3 GROUPS AND 18 SUB-GROUPS—WITH THE NUMBER OF MALE AND FEMALE WORKERS FOR GROUPS AND SUB-GROUPS:—

Industry	Male	Female
GROUP I. (METAL AND CHEMICAL INDUSTRIES):—		
Engineering:		
General Engineering:		
Engineering	1083	35
Electrical Engineering:		
Radio Sets (Repairing & Maintenance)	9	8
Total: Engineering	1092	43
Construction & Repair of Vehicles:		
Motor Vehicles, Cycles & Aircraft:		
Garage	50	—
Total: Vehicles	50	—
Shipbuilding & Ship Repairing:		
Shipbuilders	10935	431
Other Metal Industries:		
Stove, Gate, Pipe etc. & General Iron-founding:		
Foundry	499	22
Electric Apparatus, Cables etc:		
Electric Bulbs	217	393
Electro Plating	219	75
Other Metal Industries:		
Metal Wares	1959	1625
Tin Cans	281	195
Needles	143	142
Wolfram Ore Refinery	12	—
Aluminium Wares	11	1
Total: Other Metals	3341	2453
Chemicals, Paints, Oils etc:		
Chemicals:		
Chemicals	50	17
Zinc Powder	1	—
Manganese	75	16
Dye Stuffs	20	3
Medicines	90	218
Paint, Varnish etc:		
Paint	139	95
Oil, Blue, Soap, Ink etc:		
Camphor (Oil & powder)	13	—
Peppermint Oil	3	—
Soap	63	77
Oil Installation	519	97
Kerosene Refinery	10	—
Glue Gelatin	20	30
Total: Chemicals	1003	553
Total: Group I Industries:—	16421	3480
GROUP II (BASIC INDUSTRIES):—		
Public Utilities		
(Electric lights, gas works, Tramways, Telephone)	2934	9
GROUP III (OTHER MANUFACTURING INDUSTRIES & SERVICES):—		
Food, Drink and Tobacco:		
Grain Milling:		
Flour and Rice Mill	216	11
Bread, Biscuits etc:		
Biscuits & Confectionery	413	310
Other Food Industries:		
Noodles	10	2
Bean Curd	71	9
Canned Goods	166	130
Peanut Oil	178	2
Cassia Sorting	42	292
Gourmet Powder	120	56
Soy and Sauce	292	143
Sugar	16	—
Ginger & Fruits (Preserved)	106	398
Meat (Dried)	31	1
Ice	51	8
Cold Storage	263	2
Drink Industries:		
Aerated Water	185	22
Beverages	6	—

Distillery	130	57
Tobacco, Cigarettee etc:		
Tobacco	352	872
Total: Food, Drink & Tobacco'	2648	2315
Textile Industries:		
Cotton Spinning:		
Cotton Mill	157	116
Cotton Weaving:		
Cotton	17	6
Thread	42	67
Tapes	16	12
Shoe Laces	18	54
Weaving (Cotton)	1702	5245
Knitting	1614	3184
Handkerchief	6	12
Silk, Rayon, Nylon etc:		
Weaving (Silk)	176	162
Hosiery:		
Hosiery	48	140
Hemp, Rope, Cord etc:		
Grass Mats	16	8
Gunny Bags	7	—
Other Textiles:		
Cloth (Calendering)	90	7
Textile Bleaching, Dyeing etc:		
Dyeing	248	2
Total: Textile	4157	9015
Leather, Leather Goods & Fur:		
Tanning, Currying etc:		
Fur Processing	12	4
Tannery	121	—
Leather Goods:		
Leather Wares	10	10
Total: Leather	143	14
Clothing Industries:		
Shirts, Collars, Underclothing etc:		
Garments & Shirts	287	403
Hats & Caps:		
Hats	151	316
Other Dress Industries:		
Buttons	101	145
Embroidery	17	8
Boots, Shoes etc:		
Shoes	87	13
Total: Clothing	643	825
Woodworking etc:		
Furniture:		
Furniture	55	2
Saw Milling:		
Saw Mills	305	1
Wood Boxes & Cases etc:		
Camphor Wood Trunks	215	—
Total: Woodworking	575	3
Paper, Printing etc:		
Paper & Paper Board:		
Paper (Dyeing)	227	122
Paper Cards	41	65
Cardboard Boxes, Paper Bags etc:		
Paper Boxes	17	7
Stationery Requisites (Not Paper):		
Pencils	13	81
Printing Ink	6	—
Printing, Publishing & Book-binding etc:		
Printing	2203	755
Types	12	2
Newspaper	583	14
Total: Paper, Printing	3102	1046
Brick, Tile, Pipe etc:		
Brick Works	370	110
Cement Tiles	17	4
Total: Bricks	387	114

HONGKONG SHIPPING REPORT FOR APRIL

The aggregate tonnage of ocean-going and river shipping that entered from and left the Colony for abroad in the month of April amounted to 1,504,002 tons, of which 1,257,838 tons were accounted for by sea-going ships and 246,164 tons by river boats. The month's decrease against March amounted to 139,043 tons (8½%), caused by a decline in the ocean traffic, the total tonnage of which dropped by 173,703 tons, or 12 percent against March. April's river traffic improved by 34,660 tons, or 14 percent over the previous month.

British shipping maintained the leadership in the Colony's shipping returns for April with 656,229 tons, or 43.6 percent of the aggregate tonnage. A decrease of 83,503 tons, or 11.2 percent against March.

American vessels continued in the second position with 309,257 tons, or 20.6 percent of the total tonnage in April; followed by Dutch steamers with 138,297 tons, or 9.2 percent; Chinese ships with 127,454 tons, or 8.5 percent; and Norwegian ships with 114,818 tons, or 7.5 percent. Ships of other nationalities accounted together for the rest of 157,947 tons, or 10.6 percent.

Besides declines in the tonnage of British ships, other decreases in April as compared with their respective figures in March were: Dutch vessels by 24,267 tons and Chinese steamers by 20,196 tons.

Ocean Shipping.

Of the 1,257,838 tons of sea-going vessels, British ships were responsible for 35.8 percent, American steamers for 24.5 percent, Dutch boats for 10.9 percent, Norwegian ships for 9.2 percent, Chinese vessels for 7 percent, and Danish ships for 3.7 percent, while steamers of other flags accounted for the remaining 8.9 percent. European shipping, excluding British and U.S.S.R. steamers, jointly amounted to 388,132 tons, or 30.8 percent of the total.

Two interesting features were recorded in the Colony's ocean-going shipping in April. The first was the arrival from the United Kingdom, on April 8, of the British India Steam Navigation Company's new twin-screw motorship Sirdhana on her first run to the Far East.

The second interesting item was the arrival in the Colony, on April 12, of a ship flying the Korean flag and with an all-Korean crew. The Korean vessel is the Aing Do Whang of 582 tons which is the first Korean ship to enter the Colony in Hongkong's history. The owners are the Korea Steamship Co., Seoul, but the vessel is at present chartered by the Whashin Trading Co., Seoul. The Hongkong agents are the Channel Trading Co. Under

the command of Capt. Bookil Whang, the ship brought a cargo of seafood products and sundry goods from Korea to Hongkong and will soon return to Korea.

The British India Steam Navigation Company's Sirdhana has a gross tonnage of 9,000 and a deadweight of 8,700 tons, with a cargo capacity of 445,000 cubic feet and an accommodation capacity of 21 first class passengers in single and two-berth cabins; 30 second class "A" passengers in three-berth cabins, 40 second class "B" passengers in four-berth cabins and also space for some 2,000 unberthed passengers. She is capable of doing a service speed of 15 knots.

River Shipping.

Vessels flying the Union Jack in river traffic scored a remarkable improvement when they made more trips

to and from Canton and Macao and considerably increased their tonnage in April as compared with March.

As a result of the substantial increase in the tonnage of British vessels, April's total tonnage in river shipping scored a 14-percent increase over the March figures despite the fact that Portuguese boats which accounted for 3,750 tons in March were withdrawn from the service and made no trip between Hongkong and Macao in the month under review.

Of the 246,164 tons recorded in April, British steamers accounted for 84 percent and Chinese boats for the remaining 16 percent. When compared with the respective figures for March, British vessels climbed to 206,972 tons in April from 160,784 tons in March, while Chinese craft dropped from 47,015 tons in March to 39,192 in the current month.

The decision reached in March by about 10 Chinese river shipping companies to increase freight rates from 90 cents to \$3 per picul was put into practice at the beginning of April in order to avoid cut-throat competition. The new rates, though agreed upon by the Chinese shipping firms, were observed only for a short period (about two weeks) as two companies, seeing their business declining after the increase, reduced their rates to \$1.50 per picul, which fact forced the other eight contracting firms also to cut their rates to \$1.50. Freight rates are not governed by the decisions of ship owners but by demand and supply of commercial cargo and tonnage.

Commercial Cargo.

Notwithstanding the drop in tonnage of shipping, the amount of commercial cargo hauled into and out of the Colony by ocean-going and river steamers in April showed an increase of 72,956 tons, or 30 percent over the previous month, to a total of 310,171 tons (deadweight) excluding H.M. Forces and Government stores.

Details were:—224,985 tons discharged and 68,215 tons loaded by ocean-going vessels; 7,399 tons discharged and 9,572 tons loaded by river steamers.

Passengers.

The number of passengers who came from and left for abroad on these 445 ocean-going vessels and 590 river steamers in April totalled 179,932 persons, representing an increase of 39,436 passengers, or 28 percent over the previous month.

Details were:—Arrivals: 28,088 by sea-going ships and 65,335 by river craft; Departures: 20,911 by ocean-going steamers and 65,598 by river vessels.

Bunker Coal & Oil.

The 1,035 sea-going and river steamers bunkered 8,930 tons of coal and 13,583 tons of oil. The former loaded 6,226 tons of coal and 12,333 tons of oil and the latter took on 2,704 tons of coal and 1,250 tons of oil.

JUNKS & STEAM LAUNCHES.

The total tonnage of junks and launches recorded in April showed a drop of 18,956 tons, or 5.7 percent against the previous month, declining from 248,418 tons in March to 234,215 tons in April.

The junks and launches hauled into and out of the Colony a total of 34,405 tons of commercial cargo and 6,839 passengers, or 12.5 percent and 273 passengers less than in March. Of the passengers, 1,328 were arrivals and 5,541 were departures.

In the month of April, 1,136 junks, launches and other type of craft were licensed by the Marine Department. These included 12 motor junks and 41 launches and motor boats.

Glass & Glass Bottles:

Glass Manufacture:		
Glass	591	112
Mirrors	88	1
Glass Bottles:		
Vacuum Flasks	152	62
Total: Glass	831	175

Other Manufacturing Industries:

Cement, Whiting etc:		
Cement Works	290	20
Gypsum Powder	5	—
Rubber:		
Rubber Tyre	44	100
Rubber Tyre Soles	44	—
Rubber Wares	1169	3814
Brushes & Brooms:		
Tooth Brushes	94	25
Toys and Games:		
Toys	6	23
Other Industries:		
Building Materials	42	10
Battery	128	271
Bakelite Wares	71	169
Crackers	12	98
Torches	659	1938
Fishing Nets	6	28
Ivory	12	—
Matches	205	589
Joss Sticks	19	186
Feather (Sorting and cleaning)	86	205
Face Powder	24	8
Mosquito Sticks	20	31
Perfumery	53	134
Rattan	202	50
Twine	16	21
Enamel Wares	368	77
Rope Works	96	26
Cork (Bottles)	5	10
Polishing Compound (for use in manufacture of metal wares such as electric hand torches)	2	—
Total: Other Manufacturing Industries	3679	7773

Total: Group III, Manufacturing Industries 16165 21340

GROUP III A (NON-MANUFACTURING INDUSTRIES AND SERVICES)

Laundry & Drycleaning:		
Laundry	197	27
Miscellaneous:		
Bone Grinding, Marble Work, Jam Making	53	24
Total: Group III & III A:	16415	21391
GRAND TOTAL	35770	24880

KOWLOON-CANTON RAILWAY

The following are the Railway returns for January, February and March 1948, for passengers and freight carried in local and foreign traffic, up and down.

	Local Traffic		Foreign Traffic	
	Up	Down	Up	Down
January	52,030	46,768	105,116	75,184
February	46,365	45,831	106,053	81,296
March	50,985	49,316	114,645	112,120

	Local Traffic		Foreign Traffic	
	Up	Down	Up	Down
January	12,545	168,470	5,132,550	3,146,000
February	10,595	191,685	3,639,690	2,563,000
March	211,210	88,935	2,685,180	4,219,000

The British Section of the Kowloon-Canton Railway

Kowloon is the southern terminal of a railway system extending to the north as far as Hankow in central China. From Shumchun on the border of the New Territories northward to Canton the route is now operated by the Canton-Hankow Railway, and is referred to as the southern section of that line.

From Shumchun south to Kowloon, a distance representing 36 kilometres

Freight
(in kilograms)

out of a total of 183 kilometres, from Kowloon to Canton, the railway is operated by the Hong Kong Government and is known as the British Section of the Kowloon-Canton Railway.

As the railway is operated in two sections an agreement was in force before the war whereby each section collected its own local fares, while the rates for through traffic between Kowloon and Canton were divided in the

proportion of 28 per cent to the British Section and 72 per cent to the Chinese Section. At the present time, pending the conclusion of a new agreement, the British Section is receiving a share of 20 per cent of the receipts and a terminal charge of 20 cents per ton on all traffic originating at Kowloon.

Traffic between Hongkong and Canton in 1947

Through traffic between the Colony and China has been heavy throughout 1947 and the number of passengers carried was 96 per cent greater than in 1946. This is partly to be attributed to the large and steady growth in the population of both Canton and Hong Kong since the end of the war and partly also to the improvement in the train service. Altogether, 1,900,640 through passengers were carried during the year. Local passenger traffic also increased though not to the same extent.

In the issue of this Review of January 28, page 80, detailed statistics of railway traffic in 1947 were published.

The increase, amounting to 58%, was due to an improvement in the train service resulting from the arrival of locomotives from Great Britain and also to the repairs and rehabilitation on rolling stock and the gradual repopulation of the New Territories.

Considerable competition had been felt by the railway from lorries which, relying upon the lack of any bus service on the eastern side of the New Territories, used to carry passengers in addition to their normal load of goods on the journey from the border to Kowloon. To eliminate this competition, a bus service was inaugurated on 7th October, the fares being, by agreement, the same as those charged by the railway. This service has already had the effect of practically eliminating the numerous lorries operating on this route and has resulted in increased railway traffic, while the Government has also received royalties from the bus company for passengers carried.

Goods Traffic Figures

There was a decrease in through goods traffic by comparison with 1946 as the following figures illustrate:

	1946	1947
Up	151,934½ tons	123,548 tons
Down	36,045½ tons	4,212 tons
Total	187,980¼ tons	127,760 tons

The decrease was in part due to the diversion to river transport of quantities of U.N.R.R.A. supplies and railway materials required for the Canton-Hankow Railway and other Chinese railways in the interior.

Other factors were the decrease of imports of commercial goods into China from Hong Kong caused by the restrictions imposed by the Chinese Government and the continuous decline in the value of Chinese currency throughout the year.

Following are the returns of motor and sailing junks and launches under 60 tons each engaged in foreign trade with South China river ports and Macao in April.

ARRIVALS			DEPARTURES		
	Tonnage Of Vessels	Tonnage Of Cargo		Tonnage Of Vessels	Tonnage Of Cargo
Junks	109,268	29,165	Junks	115,489	4,937
Launches	4,903	162½	Launches	4,555	140½
Total	114,171	29,327½	Total	120,044	5,077½

Hongkong Shipping Returns for the Month of April

FLAG	(1) OCEAN STEAMERS		ARRIVALS		DEPARTURES		TOTAL	
	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage
British	100	245,454	91	203,803	191	449,257		
American	33	161,003	30	148,254	63	301,257		
Chinese	27	37,863	50	50,399	57	88,262		
Danish	7	25,018	6	21,944	13	47,012		
Dutch	15	74,159	13	64,138	28	138,297		
French	3	6,525	1	4,380	4	10,905		
Egyptian	1	5,029	1	5,029	2	10,058		
Korean	1	852	—	—	1	852		
Norwegian	24	58,117	23	56,701	47	114,818		
Panamanian	9	15,961	4	12,777	13	28,738		
Portuguese	2	966	2	966	4	1,932		
Philippine	3	5,242	6	13,283	9	18,525		
Swedish	5	15,135	7	21,237	12	36,372		
U.S.S.R.	—	—	1	3,553	1	3,553		
Total Foreign	130	405,870	124	402,711	254	808,581		
Total	230	651,324	215	606,514	445	1,257,838		

(2) RIVER STEAMERS

British	192	103,329	194	103,643	386	206,972
Chinese	103	19,708	101	19,484	204	39,192
Total	295	123,037	295	123,127	590	246,164

Hopes that the link established in July 1946 with Canton-Hankow Railway would result in a steadily increasing volume of goods traffic between the Colony and the interior of China did not materialise.

Local goods traffic was very small and consisted mainly of small consignments of farm produce. The reason may be that under the marketing schemes operated by Government, vegetables and fish are now conveyed to market in Government motor vehicles.

Passenger Trains

Train services were augmented during 1947; at the beginning of the year ten local passenger trains were running daily and 4 through fast trains to and from Canton as well as 2 through slow trains and an average of 2 goods trains daily. While the number of through slow and goods trains remained approximately the same throughout the year, local trains were increased by 2 daily and the number of through fast trains to and from Canton was increased to 6.

Deterioration of Chinese Rolling Stock

Considerable difficulty was experienced in the operation of goods trains. Deterioration in the condition of the wheels on U.N.R.R.A. wagons and the lack of proper wagon maintenance on the part of the Chinese Section led to a progressive decline in their efficiency and running. To combat this tendency, it was necessary to introduce a strict system of examination of all rolling stock at the border before it could be permitted to run over the British Section. As an additional safety precaution, the speed of all goods trains was reduced to 20 miles per hour over the British Section from the 6th November.

Return of Looted Equipment

Negotiations, which have been in progress over a period of two years, achieved fruition when the British Section secured recognition of its ownership of three locomotives, one 65 ton breakdown crane, 14 machines, 27 coaches and 62 wagons, which had been moved to the interior during the Japanese occupation and were in the possession of the Canton-Hankow Railway. A certain amount of this equipment has already been returned, some has been sold and some will require repairs to enable it to make the journey to Hong Kong.

Revenue & Expenditure of Railway

The total revenue for the period January-December, 1947, amounted to \$5,900,920 while the expenditure for the same period was \$2,217,564. A considerable contribution to the revenue was made by the collection of excess fares which amounted to \$103,415.

Difficulties with Chinese Passengers and Authorities

Two ticket inspectors and two booking clerks were continuously engaged in checking tickets on trains to keep

REHABILITATION & MODERNISATION OF KOWLOON DOCKS

During a very satisfactory year of operation the Hongkong & Whampoa Dock Co. Ltd., popularly known as Kowloon Docks, have effected major repairs and modernisations.

The Time Office, which was completely destroyed, has been rebuilt to an improved design. Extensive re-roofing and structural repairs were carried out to the west yard, plating shed, boiler shop and the foundry. All these buildings have now been restored to their pre-war state. The replacement and overhaul of machines and equipment has been extensive and progressive. Many of the machines ordered in 1945 arrived from the U.K. during 1947 with the consequent improvement to the machine and other shops. A number of overhead travelling cranes which had been put out of action during the war were repaired and the new 50 ton Babcock & Wilcox overhead travelling crane was installed in the Machine Shop during the summer of 1947.

The Docks have recently acquired four Gantry heavy lift dockside cranes of the most modern construction, which arrived in the Colony towards the end of February and the foundations and other work connected with their erection is well in hand.

In addition to these dockside cranes delivery of four mobile steam cranes

and three mobile diesel cranes has been made.

At Cosmopolitan Dock extensive rehabilitation work was effected last year but it is still held up for final completion due to the continued non-arrival of roofing materials, the supply position of which is most acute in all countries.

The tugs and lighters suffered extremely heavy war damage, and upon the re-occupation of the Colony a few launches only were recovered. During the year the Company purchased and fitted out three additional Tow-Boats. Company Towage facilities in the harbour are therefore equal to what they were pre-war.

Extensive capital expenditure in the immediate future will be necessary partly because the Company did not change its electric current frequency from 60 to 50 cycles due to the incidence of the European War and the local need for maintaining output of new ships for the war effort; the time is already overdue for this important change-over to take place, and arrangements have recently been concluded with the China Light & Power Co. for this to be effected. In view of the circumstances, it has also been decided to modernise the whole electrical equipment in the Dock Company's premises at the same time.

PROGRESS IN WHARF AND WAREHOUSE BUILDING AND RECONSTRUCTION

The premier local wharf and warehousing company, the Hongkong & Kowloon Wharf & Godown Co., Ltd., have had in every respect a successful year of operation in 1947. A total of 654 vessels, which discharged 646,000 tons of cargo were handled in 1947. Although the total cargo discharged is slightly less than the total for 1946, the number of vessels shows an increase of over 50%, which is a satisfactory indication of post-war re-establishment of merchant shipping. Throughout the year the improvement in rate of discharge was maintained and the facilities offered

here enable to turn a ship round in Hongkong quicker than in most other ports.

The reduction in cargo thefts and pilferage has been maintained, and the reputation of the port of Hongkong in this respect today is higher than any other Far Eastern Port and compares favourably with any port in the World. Strict attention to this important question is constantly given and the security measures which have achieved this result will not be relaxed.

The Company's launch and lighter fleet has been well employed during the year. Following normal practice of maintaining this fleet in a state of first class efficiency, several lighters which through age could no longer be maintained up to standards were disposed of during the year, but by acquiring new craft the Company kept up the strength of the fleet at 71 craft, although it has not yet been possible to reach its prewar strength of 120 lighters.

Cargo handling gear has been fitted to many of the Company's craft and this, together with the modern fleet of motor-launches, has contributed materially to the speed at which transshipments can be effected.

The Company's twin-screw tug "Kowloon," recovered from Canton, was placed in service after extensive reconditioning and modernisation in October, and a new launch has been acquired to take the place of the old

to a minimum the number of passengers travelling without payment of fares. The main cause of the trouble was the lack of control in Chinese territory which resulted in numerous passengers on the down trains entering British territory without tickets. Many of these were professional smugglers engaged in regular smuggling between Hong Kong and China. The checking of tickets at stations was also improved.

A major item of expenditure during 1947 was the sum of \$339,122 on repairs to British Section rolling stock. Much more could have been done in this direction had the section been able to recover earlier the property which was held by the Canton-Hankow railway.

EXCHANGE & FINANCIAL MARKETS

GOLD TRANSACTIONS

The continued absence of buying interest in China caused a still weaker market last week. In spite of the mounting inflation and depreciation of the Chinese money, which usually are accompanied by increased buying of gold on the part of the panic-stricken public, the current financial upheaval in China did not induce heavy buying, for investment and speculation in gold bars.

Obviously the Chinese capacity to absorb more gold has been much reduced and although the gold cross rate in Shanghai and elsewhere in China is, relative to usual China gold market rates, very low (between US\$49 to 52 on the average) the resources of the

people, in terms of stable foreign exchange, are ever dwindling. The great efforts made by gold dealers in Macao, New York and elsewhere to promote sales to China may not be fully rewarded in this year as chaos and pauperisation progressively diminish business, of every sort, with China.

The local market's weakness was attributed, apart from the principal reason which is found in China's slump, to the following 3 causes:—

(1) Continued rumouring about Hongkong Government's intention to enforce the Defence (Finance) Regulations with regard to gold, thus virtually prohibiting transactions in the gold market. These rumours were, however, not seriously considered by experienced gold operators who well know the extreme difficulties confronting Government in dealing with the local gold market which, apart from bringing much business to the Colony, could easily re-establish itself in Macao once deported, as it were, from Hongkong.

(2) The categorical statement by Sir Stafford Cripps as regards the British Government's intention to keep sterling's foreign exchange value unchanged. At last, it seems, Sir Stafford's words were taken to heart by the formerly so intrepid anti-sterling operators who, for the sake of reaping profits at the expense of the people at large, did their utmost to bewilder the public with sterling devaluation rumours. The great and inspiring progress achieved by the United Kingdom during recent months has spelled finis to the machinations of international and local cliques who, in many cases not realising how disastrous their misguided efforts could have worked out, were selling sterling short in all markets.

(3) World confidence in sterling returned and the unofficial exchange markets, in New York and the Near East, steadily quoted sterling higher, and arbitrageurs were already short-selling US dollar.

Highest & lowest prices (per tael) last week: HK\$334 $\frac{3}{4}$ —317; cross rates (per troy ounce) moved between US\$ 47 $\frac{1}{4}$ to 48 $\frac{1}{4}$.

The Shanghai cross rate ruled between US\$52/54 per oz., the week's opening was at CN\$44/45 million, topped later 62, closed around 57 million, which corresponded to a price per tael of HK\$344 to 352.

On the surface it would appear that imports of gold bullion from Hongkong into Shanghai might still be interesting but the smugglers or certain politically or army protected groups demand for their transportation services higher fees than the trade, at the moment, can afford. With modest profit margins there was, however, still some export of gold from here to the North, and from Macao direct to Kwangtung, proceeding.

The Canton gold market quoted one tael, opening, HK\$332/334, came down to 322, closed at 326. Gold business in south China is conducted either in

Hongkong currency notes and drafts or on the basis of the unofficial exchange rate between HK\$ and the Chinese scrip.

Transactions in the local market last week:—spot 16,125 taels, spot curb market 44,610; forward delivery 136,740, and forward margin clearing 449,220 taels.

Most active native banks in last week's market were Wing Tai, Wing Fung, Wing Hang and Hang Seng.

There was much "hectivity" among potential and actual buyers as "gold shortage" reports (rather well planted) in the market caused much nervousness about future sources of supply. If one is to believe importers' information it would seem that at present there is little if any gold on sale even at prices higher than US\$43 per oz. Although a period of extreme dullness prevails here since a few weeks and net profits, by gold bullion dealers' standards, are small (a paltry 5 to 8%) there cannot be any doubt that, week by week, the local and Macao hoards will be reduced by shipments to China and that at a not too distant date there will again arise some sustained demand for replenishment of local gold stocks. Acting on the wisdom of the Latin proverb "Prudentem providisse, not paenitet," gold dealers are already scouring the horizon for new and not too expensive supply sources.

Old orders the shipment of which had been delayed have kept arriving in Macao and among them were also backlogs of 22 carat sheets which originate from the Bank of England vaults.

In a market review of last week, Mr. R. J. R. Elias, stated that during the past week there were indications that holders of cash gold on an interest basis, were inclined to deliver their cash gold, owing to the uncertainty regarding the future of gold trading in Hongkong. Nervousness owing to the possibility of restrictions in connection with gold trading in Hongkong was evident and caused a certain amount of liquidation. It would appear that the weak bulls were forced out of the Market around 320. Their position was taken over by those covering short and also fresh bulls.

Gold supplies have continued to arrive in Macao during the past week and the decline in the Hongkong—U.S. cross-rate reduced the actual cost in terms of Hongkong dollars to \$290 per tael.

SILVER BUSINESS

Dealers at last were compelled to reduce their prices but as TT New York quotations dropped considerably the current market prices are still too high especially considering the fact that exporters of silver to the U.S. have to surrender, at the official exchange rate, 25% of their proceeds in US currency. Transactions were insignificant, viz. 40,700 taels, dollar coins for a value of \$2,000, and 20 cents coins for \$69,000. Average dealers' prices:—\$4 per tael, \$2.60 per coin, \$2 per 20 cents coin.

"Penguin" which was finally located in Canton, but sold as being unfit for service.

The Company's launch fleet now consists of eight up-to-date vessels, which is only one less than pre-war. With this fleet and lighter capacity of 7,000 tons of cargo the Godown Company provides efficient and rapid facilities for shipment or transhipment under expert supervision; despite heavy expenses in the up-keep of craft, rates still compare favourably with those of competitors.

The general rehabilitation of all properties has progressed and the reconstruction programme is also well in hand.

Reconstruction of No. 25-A transit shed was completed at the end of the year, and this valuable asset was immediately put into operation, releasing 7,000 tons of space in storage godowns for its rightful use. Another prefabricated godown of 6,000 tons capacity has been erected on the site of the old Godown No. 6, which was destroyed during hostilities, and two further godowns to take the place of demolished buildings on Kowloon Point property are about to be completed. Specially constructed dangerous goods godowns at Yaumati have been fitted to capacity during the year, and construction of further accommodation for this type of cargo is under consideration.

As far as the Wharves are concerned reconstruction of the West Point wharf has been completed with the exception of part of the superstructure, and this old established facility for the coastal trade is once again in operation.

Repairs to No. 3 Wharf were completed last October, and this wharf is again in first class condition and full operation.

Demolition of No. 4 Wharf has been completed, and the bulk of the materials for its reconstruction have been obtained; work on the actual construction is expected to commence shortly.

Maintenance repairs have been carried out on all other wharves to keep them in safe and proper condition until the completion of No. 4 Wharf permits their major reconstruction to be undertaken.

AMERICAN DOLLAR TRANSACTIONS

Highest and lowest rates (per US\$ 100) last week were:—notes HK\$560—540; drafts \$569—550; TT New York \$576—550. Cross rates amounted to US\$2.77 to US\$2.89. Free sterling rates in other markets ranged between 2.85 to 3. Transactions in the local native bankers' market:—TT: US\$1,400,000; drafts 541,000; notes 190,100.

There was much speculative selling, and gold importers further reduced their previously accumulated funds in New York. Conspicuous sellers were the native banks of Wing Tai and Wing Fung and the bullion dealers C. S. Ling & Co.

Some rumours in the market about impending institution of a limited amount of controls over unofficial exchange business tended to accelerate the selling sentiment. Merchant demand was small but if rates should show further weakness many importers may come in as they have been waiting for a chance to obtain locally free funds in New York for commercial cargo waiting to be shipped from American ports.

BANK NOTE MARKETS

Piastres are neglected and there is no hope for a revival in business in this counter unless political conditions in Indochina will undergo a change for the better. As it is, the dilly-dallying between the French and the supporters of former Emperor Bao Dai on the one hand, and the Viet-minh and its sincere or blackmailed myrmidons on the other, has led to an almost complete lack of interest on the part of the local public in developments in Indochina.

Sales in the market of piastres totalled 3,760,000 spot, and 2,780,000 forward, at rates which moved around \$11 (per 100 piastres) for the legal tender and about \$9½ for the Ideo notes which, although withdrawn from circulation in Indochina (as far as French controlled), are successively smuggled from here and Kwangtung into Indochina.

Baht and Nica guilders were quiet at depressed rates.

Bank of England notes (£1. and, to a lesser extent, the new £5. notes) found much interest and prices paid exceeded at times \$13.85. However, the local price remains still weak when compared to the New York pound note price which is higher than US\$2.60.

CHINESE MONEY MARKET

The economic and military situation of the Nationalist Government of China has further deteriorated last week. Inflation is assuming menacing forms.

The local market was, for a short while, upset when CN\$ quotations dropped from minute to minute and when the influx of Chinese money increased every day. Capital flight from the lower Yangtze area and from Hankow was incessant.

Highest and lowest note prices (per Ten million CN\$):—HK\$78¼—55½, spot; HK\$72½—54, forward. TT Shanghai and Canton touched HK\$46½ and 53 (per Ten million Chinese scrip) respectively.

Sales here amounted to:—TT Shanghai CN\$2.2 trillion, TT Canton 604 billion, spot notes 85¼ billion, forward notes 50¼ billion.

US notes in Shanghai opened at CN\$ 840/850 (three zeros omitted), advanced day by day, topped CN\$1,200, and closed the week between CN\$1.1 to 1.2 million per one US dollar. Hongkong notes opened at CN\$175,000, reached 215, closed 198,000. TT New York sold at from 5 to 10% above note prices.

Canton opened the week with 136,000 per one HK dollar, reached 177, closed 162,000 for spot notes, while forward Hongkong notes once exceeded 200,000.

The spectacle of the non-stop depreciation of the Chinese scrip of last week was enlivened, as is customary at such occurrences, by the parades and raids of the combined forces of secret service men, economic police organs and the gendarmes in Shanghai. Arrests, confiscations, dire threats did not achieve the avowed purpose of the action but, no doubt, some fortunes changed hands.

The Taiwan dollar, long divorced from the "link" with Nanking's grossly inflated legal tender, is almost daily valued higher and higher by Bank of Taiwan in terms of CN\$. At the close of last week one Taiwan dollar was officially rated CN\$288.

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IMPORT OF MALAYAN CURRENCY NOTES INTO MALAYA

The Exchange Control Authority in Singapore has observed that a number of passengers have arrived from Hongkong during recent weeks with considerable amounts of Malayan currency notes. As the importation of such notes into Singapore and Malaya is prohibited in excess of Straits \$ 45, the native banks and money changers

in Hongkong and the public in general, who may be travelling to Malaya, will be well advised to observe the Exchange regulations now in force in Singapore and Malaya, as amounts in excess of Straits \$ 45 are normally confiscated by the Control on arrival of the passenger in Singapore.

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SOUTH AFRICAN EXCHANGE REGULATIONS

The Reserve Bank of South Africa, with the full approval of the Union Treasury, have issued towards the end of March 1948 new regulations which placed certain restrictions on the remittance of moneys to the Union of South Africa by residents in the Sterling Area. (The Union includes South West Africa). The South African Banks in London are only prepared to sell South African currency against resident sterling or Sterling Area currencies provided such transactions come within the following purposes:—

(A) CURRENT TRANSACTIONS:—

- (1) Proceeds of bona fide exports from Union of South Africa.
- (2) Agency fees, commissions, etc.
- (3) Interest and dividends due to Union of South Africa holders of sterling securities (i.e. stocks officially quoted on a registered Stock Exchange in the Union).
- (4) Insurance Premiums, Claims and Refunds
- (5) Reasonable maintenance and travelling expenses in the Union of South Africa of Sterling Area visitors.
- (6) Reasonable subsistence and personal allowances remitted from Sterling Area Countries for benefit of persons resident in Union of South Africa.

(B) CAPITAL TRANSACTIONS.

- (1) Proceeds on realisation by Union of South Africa residents of Sterling Area assets owned by them.
- (2) Proceeds of Union of South Africa capital issues in United Kingdom approved by Capital Issues Committee.
- (3) Cost of Union of South Africa securities or subscriptions to Capital Issues in Union of South Africa by Sterling Area residents.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per ten million)		S'hai Canton		US		(per 100)			
	High	Low	Spot	Forward	High	Low	Notes	Draft	T.T.	I.C.	Guilder	Pound
May												
3	334½	330¾	78¾	77¼	72½	70½	65½	69¼	559	568	575 11¼	43 25½
4	333	329½	78½	75	69½	66½	59	65	558	568	574 11¼	43 25½
5	332	331½	72	70	—	—	57	62	556	565	556 11	42½ 25¼
6	332	323½	68	62	61½	57½	50	58	550	560	564 11	44¼ 25¼
7	324¼	317	61½	55½	58	54	46½	53	542	552	550 11	43¾ 25¼
8	323¾	320½	60	59½	60	59	50¾	58½	545	552	556 11	43 25¼

- (4) Capital of bona fide emigrants from United Kingdom to Union of South Africa in individual amounts reference to be made to South African Reserve Bank.

(C) OTHER TRANSACTIONS:

Transactions falling outside above purposes require prior approval of the South African Reserve Bank and must be submitted to them with full details.

The South African Banks in London accept instructions to make transfers to the Union of South Africa within category A. (Current Transactions) provided the instructing Bank confirms to the best of its knowledge and belief that the transactions concerned come within the permitted purposes. As regards transactions under category B. (Capital Transactions) these should not be undertaken without first referring to a South African Bank.

For the time being it is recommended that no direct remittances (including the issue of drafts) should be made to the Union of South Africa without first consulting one of the South African Banks.

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FARMERS' BANK OF CHINA IN HONGKONG

With a view to helping in the fishery development and the expansion of agriculture, the Hongkong branch of the Farmers' Bank of China is prepared to extend loans to the Colony's fishermen and farmers in the New Territories. Mr. Y. Tsao, manager of the bank, told the Far Eastern Economic Review in an interview.

The bank may earmark several million Hongkong dollars for such purposes to farmers and fishermen as loans at the interest rate of 8 percent per annum, stated Mr. Tsao, and such loans may be obtained from the bank through fishermen's or farmers' cooperatives but all applications would require to be recommended by the Hongkong Government's Fishery or Agriculture and Forestry Departments.

The Farmers' Bank of China, founded in 1933, is one of the six Government Banks of China, established with a special charter promulgated by the Chinese Government. Belonging to no individual, the Bank has been specially assigned by the Chinese Government to finance agricultural and land credits in China, while its Hongkong branch deals in general banking business.

Its head office is in Nanking under the management of Mr. Li Su-min and the Bank has branches all over China, especially in important agricultural centres in the country.

Before the war the bank maintained only an office in the Colony for dealing with overseas remittances. After liberation, the Hongkong branch was formally set up on July 15, 1946, which has since been conducting all types of banking business, with the exception

of granting loans on, real estate and machinery.

The bank is administered by a Board of Directors most of them being prominent men in the nation's financial and banking circles. The Bank's Hongkong branch is a member of the Hongkong Exchange Banks Association and a member of the Hongkong Clearing House.

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POSTAL REMITTANCES & SAVINGS BANK IN HONGKONG

In China, as in no other country, the Post Office Savings Bank has developed into a separate bank—separate from the Post Office as such—that transacts all classes of banking business, commercial and Governmental.

Established in 1930, this Bank, under the title of "Postal Remittances & Savings Bank" or "Postal Bank" for short, acts as banker to the Chinese Postal Administration, which is one of the most efficient Governmental organisations in China.

The Bank operates through all post offices in China and has, in addition, special banking branches in all important centres in the country. It is one of the six Government banks of China and was elevated some years ago to one of the country's "Appointed Banks" for the handling of foreign exchange. It also maintains correspondents abroad.

The Bank today has in its system more than 3,000 post offices in China, which also help in the handling of domestic and overseas remittances, in addition to 17,000 agencies, 22 branches and 52 sub-branches. As such, the Bank appears to be in a better position than other Government or private commercial banks to handle remittances for the Chinese people. It especially offers conveniences to the public to send family remittances to their native places in the interior where there are no banking facilities.

Postal Bank's Business in Hongkong

When the Chinese Government withdrew its official functions from the area then under its jurisdiction in Shanghai, following the Japanese occupation in 1937, the head office of the Postal Bank moved down to Hongkong the following year and established an office in the Gloucester Building for helping the Chinese community here and elsewhere to dispatch remittances to their families in China and to control the activities of the Bank in that country. It conducted its banking activities in the Colony until Dec. 8, 1941, when the Japanese attack started.

After liberation the Bank almost immediately established a Hongkong branch on the ground floor of Shell House and has since been conducting

all types of banking business and offering facilities to overseas Chinese here for sending remittances to China. Under the experienced management of Mr. K. C. Tseng, who is concurrently Deputy Commissioner of the Chinese Postal Administration, the Bank's Hongkong branch has been conducting the major portion of overseas remittances from here to China, considerably in excess of any other Chinese Government bank, due to its more extensive facilities in the interior of China. The Postal Bank is a member of the Hongkong Exchange Banks Association and also a member of the Hongkong Clearing House.

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CONDITIONS OF TRADING BETWEEN AUSTRALIA AND THE FAR EAST

The Hongkong buyer who wishes to obtain goods from Australia will want to know some details of how the trade is usually conducted. With the existing world shortages of food-stuffs, some of Australia's main exports are handled at present under Government supervision and the part played by merchants is confined to moving the goods in accordance with official instructions as to price and quantity. Wheat, meat, butter, dried fruits and sugar are the main examples.

Other commodities are exported through the usual trade channels as described below under "General merchandise." The case of wool has been given separately as the trade is highly organized, with specialized trade practices. All the leading banks in Australia handle trade enquiries, received preferably through the importer's own bank, and arrange introductions to exporters. Specific enquiries are desirable, rather than enquiries worded in general terms.

General merchandise

Australia's general export trade is for the most part conducted by large and well established exporting houses, trading on a merchant to merchant basis, although a few manufacturers conduct their own export business. Importers in Hongkong may deal direct with these houses or, in some cases, through the latter's overseas representative.

There are also a number of firms, usually of smaller size, who deal as agents and work on a commission basis with their overseas principals. Overseas buyers, in some cases, maintain their own representatives in Australia often dealing through local agents, exporting houses, or direct with manufacturers.

The agents at present frequently quote Australian prices, mostly on an f.o.b. basis. The effect is to throw the onus of exchange fluctuation and shipping risks on to the buyer.

The Agency Commission charged in keen markets is normally 5%. Trade in certain commodities for sure markets may be undertaken for less, but for unreliable markets it may sometimes be 7½% or more.

The terms of payment usually call for a confirmed irrevocable letter of credit. This is true of the large majority of shipments to United Kingdom, U.S.A. and South Africa and are required for shipments to the Far East.

Under present conditions the buyer needs to make stipulations about packing. There is a scarcity of softwood packing materials and the local hardwoods are not altogether suitable.

Shipping arrangements are usually made by the seller. Freight is usually payable at the port of shipment but in the case of certain commodities it may be payable at port of destination.

Airways are being used over long distances such as to the United Kingdom mainly for the carriage of concentrated foodstuffs, chemicals, films, samples (including wool samples), commercial documents and small livestock. It is used more extensively for short hauls.

Buyers usually require marine insurance, with average, and with strike risks and tend nowadays to include the following special risks:— theft, pilferage, non-delivery, mud, hook, oil, grease, stains, rainwater, freshwater, moisture condensation and special risks which may be required are breakage of glass and leaking and bursting of containers.

Wool Trading

Most of the buying of Australian wool is done on a commission basis through a broker. There are many reputable brokers in Australia with long experience in handling wool. They usually have overseas agents who get in touch with buyers.

Every day the broker cables his principal the state of the market and the estimated trend. From his information the principal decides on the limits to which he is prepared to buy and cables back his instructions.

After the wool has been bought, but before it has been paid for, the Australian broker cables his wool position to the buyer, who immediately establishes through his bank a letter of credit in the broker's favour. It is generally of great assistance to the broker if a Red Ink Clause is included, allowing advances to be made to the broker up to a stated limit to pay for the wool pending the presentation of the complete set of documents.

In the case of large oversea buyers dealing with the same firm, a revolving letter of credit may be established to cover a season's buying.

The commission charged is usually 2½% but if the contract had been arranged through an agent overseas, portion of this commission would be payable to him also.

HONGKONG STOCK & SHARE MARKET

During the week, May 3 to May 7, a slight reaction, induced by profit taking, occurred after the announcement of a holiday on the 5th. As a consequence some of the gains made on the resumption of trading for the week were pared off. Volume, too, suffered by a decline of approximately \$1½ millions in value, compared to the previous week. Sales, as reported, totalled 96,547 shares of an approximate value of 3¼ millions.

On the whole, losses were only fractional, and it is regarded as a natural sequence to the present trend which commenced on April 19. The undertone at the close appeared firm with most offerings at current prices absorbed, while enquiries persisted after the close for several popular issues.

Price Index

The Felix Ellis price index of twelve representative active local stocks showed a net loss of .30 compared to the close of the previous period. Day-by-day his averages were: May 3, 146.16; May 4, 145.95; May 6, 145.80; May 7, 145.60. The High and Low for 1947 were 155.82 and 123.88 respectively. The high for 1948 was 148.68 on February 12, and the low 143.56 on April 16.

Company Report

After payment of an interim dividend of \$5 per share, THE CANTON INSURANCE OFFICE, now proposes to pay a final dividend for account of 1946 of \$12 per share, and transfer the balance of \$952,294 for that year to Under-writing Suspense Account. No distribution has been

recommended as yet for account of 1947 which showed a working profit of \$3,922,128. Compared with the previous year, the Assets as at December 31 showed an increase of \$1,170,194, while the capital was increased by \$1,500,000 by making the 50,000 \$20 partly paid shares into \$50 fully ones by means of a process of capitalisation and bonus.

Dividends

HONG KONG TELEPHONE Co: 12% or \$1.20 net on the old shares and proportionately on the new for account of 1947.

The DOUGLAS Steamship Co. has declared \$3 per share less tax for account of 1947.

THE PEAK TRAMWAY Co. has declared \$1.80 and .90cts respectively on the fully paid and partly paid shares less tax for 1947. This is the first post war dividend declared by this company, which reports a profit for the year ending March 31 1948 of \$145,937.36

The WING ON Co. has declared a dividend of \$6 and a Bonus of \$4, making \$10 per share less tax for account of 1947.

Business Done

GOVT. LOANS: 4% @ 100½ & 101; 3½% @ 101.

BANKS: HK BANK @ 2065, 2055, 2065, 2060; EAST ASIA @ 142½ & 146.

INSURANCES: UNIONS @ 778 ex div; HK FIRE @ 300.

DOCKS & GODOWNS: WHARF old @ 154 & 156½, and new @ 102½ & 100; HK DOCKS @ 35½, 36, 35½, 35; CHINA PROVIDENT @ 25½, 25¼, 24¼, 24½; SHAI DOCKS @ 27, 27.35, 27½.

HOTELS & LAND: HK HOTEL @ 18½, 18¾, 18½, 18¾, 18½; HK LANDS @ 84, 83½, 84, 83¾; HUMPHREYS @ 25, 24.

UTILITIES: HK TRAMS @ 24, 24¼, 24½, 24.35, 24-1¼, 24, 23¾, 23½, STAR FERRY @ 127, 126; CHINA LIGHT old @ 25¼, 25¾, 25½, 25¼, 25, 25.10, 25.15, 25, 25.20, 25¼, 25; new @ 20½, 20¼, 20; ELECTRIC @ 51, 50¾, 51, 50¾, 50½, 50¾, 50; MA-CAO ELECTRIC @ 18; TELEPHONES old @ 45, 44½ and new @ 44 & 43.

INDUSTRIALS: CEMENT @ 44, 44½, 45, 44½, 44¼, 43½, 43, 43¼; ROPES @ 20; DAIRY FARM old @ 55, 55, and new @ 54; WATSON old @ 57 & 56.

STORES: LANE CRAWFORD @ 55½, 56; SINCERE @ 8½, 8.70; CHINA EMPORIUM @ 12¾; KWONG SANG HONG @ 200.

COTTONS: EWOS @ 21½, 22½, 23, 24.

RUBBERS: ANGLIO JAVA @ 6½.

HONGKONG AVIATION REPORT

Air Traffic Returns for the first 4 months of 1948:—

Month	Civil Air Craft	Passengers	Passengers	Mail	Mail	Freight	Freight
	Numbers	Numbers	Numbers	kilograms.	kilograms.	kilograms.	kilograms.
	IN	IN	OUT	IN	OUT	IN	OUT
January	384	6,275	5,491	8,029	8,975	24,443	138,081
February	396	5,754	5,970	9,266	9,982	31,448	132,576
March	514	7,627	7,479	12,748	11,465	62,039	164,948
April	577	9,602	9,053	14,643	14,713	45,512	78,417
Total	1,871	29,258	27,993	44,686	45,135	163,442	514,022

ARRIVALS FOR APRIL, 1948

Countries	Passen- gers	Mail	Freight
United Kingdom, via Bangkok & Ports	57	3113	3667
Europe via Bangkok & Ports	10	—	2196
Middle East via Bangkok & Ports	9	—	195
Calcutta via Bang- kok & China	33	72	1288
Rangoon via Bang- kok & China ...	35	44	3
Singapore (direct) ..	218	2184	493
Bangkok (direct) ..	417	708	1355
Saigon (direct)	288	335	157
Macau (direct)	362	—	—
Philippines (direct)	868	195	19198
Japan via Shanghai & Ports	4	7	87
Japan (direct)	26	646	38
U.S.A. via Manila & Ports	27	570	2690
Honolulu via Manila & Ports	10	434	397
Australia	—	451	202
Shanghai (direct) ..	1816	1450	5442
Canton (direct)	3236	3216	4681
China via China Ports	2186	1218	3423
	9602	14643	45512

DEPARTURES FOR APRIL, 1948

Countries	Passen- gers	Mail	Freight
United Kingdom via Bangkok & Ports	104	2303	1342
Europe via Bangkok & Ports	25	26	374
Middle East via Bangkok & Ports	2	—	87
Calcutta via Bang- kok & China	126	271	479
Rangoon via Bang- kok & China ...	21	7	258
Singapore (direct) ..	210	1746	1584
Bangkok (direct) ..	245	22	4164
Saigon (direct)	176	254	284
Macau (direct)	368	—	1679
Philippines (direct)	1531	309	2251
Japan via Shanghai & Ports	8	—	30
Japan (direct)	26	727	1729
U.S.A. via Manila & Ports	120	1067	1313
Honolulu via Manila & Ports	48	58	73
Australia	20	189	1564
Shanghai (direct) ..	1496	2032	4186
Canton (direct)	3392	2842	11984
China via China Ports	1135	2870	45036
	9053	14713	78417

BASE METAL MINING IN THE PHILIPPINES

The Philippines is primarily known as a gold-producing country but it also has large, though but slightly developed base-metal resources.

In Mindanao there is one of the largest undeveloped laterite iron deposits in the world (over 1,000,000,000 tons of 48% iron). Unfortunately, this ore is associated with small quantities of nickel, chrome, and manganese, and their separation constitute a metallurgical difficulty which has not as yet been surmounted.

The Philippines also has one of the largest refractory chrome deposits in the world, amounting to 10,000,000 tons. This at Masinloc, Zambales, where present production runs to 25,000 tons a month, all the ore being shipped to the United States.

In 1941, approximately 140,000 tons of chemical and metallurgical chrome, running 48% or better, was mined and shipped to America. Some 80,000 tons of high-grade manganese was also shipped. Additionally, quite substantial tonnages of low-grade chrome, manganese, and iron ores which could not stand the freight rate across the Pacific to the United States, were shipped to Japan.

Iron Ore Reserves

The Philippines has four moderate-sized deposits of 60% iron, which, in 1941, were producing at the rate of 1,250,000 tons a year. At this rate, the reserves would last approximately twelve years. As iron ore brings only around \$4.50 a ton, and the freight rate across the Pacific is \$9 a ton, no shipments to the United States are possible. Up to the issuance of the 1941 order prohibiting all shipments to Japan, the Japanese market took all the Philippine ore. Since liberation, no iron ore, and no low-grade chrome, manganese, or copper have been shipped. All the mines are idle, and the mine workers are still waiting to get their jobs back.

With the rehabilitation of Japan under way, SCAP is reaching out to get raw materials, such as coal and sugar, from the Philippines, and business men are being invited to visit that country with a view to starting the wheels of the export and import business turning once more. China is already shipping its iron ore to Japan, and it is understood that contracts have been entered into for the purchase of 250,000 tons of high-grade iron ore this year from Hainan Island.

Rehabilitation of Iron Mines

While the Philippine iron mines were badly damaged during the war, nevertheless there are new mills to be constructed, and the mines could quickly be brought into production once the rehabilitation money is made available.

The Philippine base-metal producers have made out their claims to the War Damage Corporation, and it is hoped that these can be quickly reviewed and an estimate made as to what may eventually be paid. Once this is known, the information could serve as the basis of credits to be utilized by the various companies in beginning their work of rehabilitation.

If the low-grade base-metal mines could resume operation, at least 7,000 men would be employed regularly, and more than that number indirectly. In the early stages, extra forces would be required, such as gangs of carpenters to building housing quarters, bodegas, etc., while the miners would start the clearing and prepare the way for the surface and underground mining. Construction men would also be needed for the many bridges, wharfs, and other necessary structures which would have to be built.

Large purchases of tools and supplies would be made,—rails, mine cars, locomotives, jackhammers, compressors, churn drills, diamond drills, bulldozers, power shovels, etc.

Mining Techniques

There are two methods of finding new ore-bodies: one is to strike out in virgin territory and look for entirely new deposits; the other is to follow the ramifications of known ore into unknown ground. The latter is a practice followed the world over to prolong the life of mines. Here, in the Philippines, if the twenty-five high-grade iron, and low-grade copper, chrome, and manganese deposits were worked, it would no doubt stimulate prospecting to such an extent that the workers would soon find new ore-bodies to be added to the present list and brought into production.

The known low-grade mines are not in one spot but are scattered all over the Philippines, and the revival of operations would bring payrolls and restore healthy and contented communities in many areas.

— Chas. A. Mitke

CHINA'S TRADE WITH THE UNITED STATES

During the year 1947 the U.S. exported commercial cargo to China valued US\$ 353 million, shipped to China relief and aid supplies valued US\$ 126.8 million, and imported from China commodities valued US\$ 115.6 million.

These figures do not tally with the returns of the Chinese Maritime Customs but, having been compiled by the U.S. Bureau of the Census, are of course reliable.

Trade between the U.S. and China in 1947

1947	(in millions of US\$)		
	Exports from U.S.	Imports to U.S.	Com- Aid- merc- Relief
January	35.7	11.6	15.5
February	39.7	19.0	13.2
March	37.3	14.1	10.3
April	26.1	14.8	6.0
May	41.3	19.8	11.9
June	55.5	23.3	13.7
July	39.4	18.8	7.5
August	19.6	1.8	3.0
September	12.1	0.5	5.4
October	11.9	0.8	6.6
November	15.7	1.3	8.4
December	18.7	1.0	14.1
Total	353.0	126.8	115.6

The amount of unrecorded trading between the U.S. and China can be gauged from a comparison between the official American and Chinese trade figures.

Chinese Trade Returns

The Customs trade figures for 1947, when computed into US\$, are as follows:—Total imports by China US\$ 477.2 million, total exports US\$ 228.6 million. Imports by China from the U.S. in 1947 US\$ 239.3 million, exports to the U.S. in 1947 US\$ 53.3 million.

When drawing comparisons the following has to be considered:—The Chinese Customs value imports according to the wholesale price of relative commodities on the open market in China and not c.i.f. Chinese port; accordingly the U.S. valuation and the Chinese valuation differ not only by some 10% (for ocean freight, insurance, etc.) but by an additional percentage, viz. the difference between the landed cost price and the wholesale price of imported commodities in China. With regard to exports from China an adjustment has to be made by taking off some 10% from the value of commodities imported into the U.S. (or conversely some 10% have to be added to Chinese exports to the U.S.) in order to bring on a similar level the f.o.b. China port and c.i.f. American port valuations.

From the above figures (compiled by the U.S. Bureau of the Census and

computed into US\$ from the returns of the Chinese Customs respectively) it follows that CHINA'S IMPORTS FROM THE UNITED STATES WERE ABOUT 66% LARGER than recorded by the Chinese authorities; and that CHINA'S EXPORTS TO THE UNITED STATES WERE ABOUT DOUBLE THE VOLUME as recorded by the Chinese Customs.

Comparisons with Japan's Trade

In 1947 the United States' trading with Japan was as follows:—

American exports valued US\$ 429 million, American imports US\$ 35.2 m. U.S. shipments of relief and aid supplies to Japan valued US\$ 351½ million.

While the U.S. imported from Japan last year considerably less than from China, American commercial exports to Japan were much in excess of exports to China. American aid and relief to Japan was also very much greater than similar supplies to China in 1947.

The current year has accentuated the trend of developments of 1947; American trade with Japan is steadily expanding, both imports and exports, while commerce with China is slumping. American aid shipments to Japan remain on a high level approximating the monthly average of the assistance now to be rendered under the U.S. China Aid Programme.

INDONESIAN ECONOMIC REPORTS

SITUATION IN WEST-JAVA

Due to the increasing safety in West-Java the population regains confidence. Labour is abundantly available, although thousands of workers are now engaged in the harvest.

The mopping up of the remnants of armed bands, who occasionally infiltrate villages, terrorising especially the Indonesian inhabitants, can be expected soon.

Production of the estates is increasing, although hampered by the limited milling-capacity of the processing-mills.

Hill estates:

There are in West-Java 458 hill estates with an area of more than 50 H.A. each. 118 have not yet been inspected, 243 are under continual supervision, of which 95 are managed by the pre-war owners, while 19 applications for own management are under consideration. The condition of the processing-mills in the estates at the end of March was described as follows:

in running condition	40
slightly damaged, can be repaired in a short time	68
seriously damaged, cannot be repaired in a short time	102

rubber

in running condition	68
slightly damaged, can be repaired in a short time	50
seriously damaged, cannot be repaired in a short time	42

cinchona

in running condition	23
slightly damaged, can be repaired in a short time	11
seriously damaged, cannot be repaired in a short time	11

Sugar Mills:

All six sugar mills in West-Java are in a reasonably good condition. Total stocks found in the mills amounted to only 6,000 tons, already forwarded to Cheribon.

Planting for 1947 was about 2,000 H.A., the greater part of which was lost due to theft and destruction, the remainder being just sufficient for the 1948-planting.

According to the production-program for 1948 all six sugar mills will be in operation this year. The planting area will be 5,500 H.A. and the estimated production is 70,000 tons for 1949.

ALUMINIUM-FACTORY AT PALEM-BANG

In the near future a factory will be opened at Palembang for the produc-

tion of anhydrous aluminium-oxide out of bauxite. From an analysis it has appeared that most of the bauxite found in the island of Bintang contains 55 per cent aluminium. In addition, small quantities of "white bauxite" are available with 60 per cent aluminium. The area which is being exploited at the moment has an estimated reserve of 10 million tons, of which 2 million tons contain less than 20 per cent aluminium.

FIRST AUSTRALIAN LIGHTER LAUNCHED AT SEMARANG

The first of the so-called pre-fabricated lighters, the R201, was launched in Semarang harbour. These lighters were built in parts in Australia and assembled and welded in the Robbelinde workshops at Kobon Laoet. They are 20 metres long, 5 metres broad and 1.8 metres deep and weigh 25 tons each. They are to be towed to various ports, where they are to supplement the ferries, which have greatly declined in number.

TIN EXPORTS FROM INDONESIA

There was a striking increase in exports of tin ore, from 1,108 tons in January to 5,336 in February. 1,771 tons of this quantity were sent to The Netherlands and 1,565 tons to the United States.

THE TRADE OF HONGKONG FOR THE FIRST QUARTER OF 1948

The total trade of Hongkong for the months of January through March 1948 amounted to \$762.2 million (Imports \$441.5 m., Exports \$320.6 m.) against \$570.4 million for the corresponding period of 1947. The trade figures of 1948 are the highest in the history of the Colony. (*In millions of HK dollars*).

TRADE WITH THE BRITISH EMPIRE:

	Imports	Exports
Total Empire	110	78.4
United Kingdom	49.8	18.1
Malaya	19.3	44.9
Australia	9.8	2.9

TRADE WITH CHINA:

	Imports	Exports
China	87.9	46.0
Macao (75% of trade)	10.0	23.5
Total	97.9	69.5

TRADE WITH HARD CURRENCY COUNTRIES:

	Imports	Exports
U. S. A.	87.9	36.6
Canada	8.8	1.3
Belgium	14.8	3.3

Sweden	5.0	0.6
Switzerland	8.2	5.0
Philippines	1.9	25.6

TRADE WITH PRINCIPAL EUROPEAN COUNTRIES (excluding U.K., USSR, and minor trading partners):

	Imports	Exports
Belgium	14.8	3.3
Denmark	0.9	0.1
France	2.4	2.9
Germany (Bizonia)	1.6	—
Holland	3.2	2.1
Italy	3.6	0.9
Norway	2.9	0.3
Sweden	5.0	0.6
Switzerland	8.2	5.0

TRADE WITH FAR EASTERN COUNTRIES:

	Imports	Exports
British Malaya	19.3	44.9
British N. Borneo	2.5	1.3
Burma	5.8	1.3
Indochina	5.1	4.6
Japan	21.5	3.8
Korea	5.8	5.6
Netherlands	7.7	25.5
Philippines	1.9	25.6
Siam	37.9	33.3

TRADE WITH COUNTRIES WITH WHICH HONGKONG HAD A FAVOURABLE BALANCE:—

	Imports	Exports
Ceylon	0.3	1.2
East Africa	0.4	1.6
West Africa	—	0.8
Malaya	19.3	44.9
West Indies	—	0.8
Central and South America	1.0	1.6
France	2.4	2.9
Macao	13.3	31.3
Netherland Indies	7.7	25.5
Philippines	1.9	25.6
USSR	0.2	2.7

TRADE WITH COUNTRIES WITH WHICH HONGKONG HAD AN UNFAVOURABLE BALANCE:—

	Imports	Exports
United Kingdom	49.8	18.1
Australia	9.8	2.9
Canada	8.8	1.3
India	3.8	2.0
North Borneo	2.5	1.3
South Africa	2.7	1.2
Other Empire	12.0	1.7
Burma	5.8	1.3
Belgium	14.8	3.3
China (incl. 75% of Macao trade)	97.9	69.5
(excl. Macao trade)	87.9	46.0
Denmark	0.9	0.1

Egypt	5.6	0.7
Indochina	5.1	4.6
Germany	1.6	—
Holland	3.2	2.1
Italy	3.6	0.9
Japan	21.5	3.8
Norway	2.9	0.3
Siam	37.9	33.3
Sweden	5.0	0.6
Switzerland	8.2	5.0
U. S. A.	87.9	36.5

Trade with Korea was about balanced with \$5.8 million imports, and \$5.65 million exports.

The figure for February is the highest reached after the war and stocks in the Far East being small this must be mainly the result of the greater dredging-capacity in Banka and Billiton. If this increase continues, it will no doubt be possible to reach the target aimed at, namely, the production of 37,000 tons of tin metal.

Mining Output in Philippines

Operations at the chromite property of Consolidated Mines, Inc., which is operated by Benguet Consolidated Mining Company, recovered last month. Preliminary figures from the mine show that the company mined some 22,000 tons of ore with an approximate value of Pesos 418,000 during April. This compares with 16,500 tons valued at P313,400 during March.

The March setback was due to the suspension of loading operations for weeks owing to the damage to the pier at Masinloc. Record month of production at Consolidated Mines was February when the company mined a total of 25,529 tons of refractory ore with a value of P485,051.

First gold producer to report April production is Mindanao Mother Lode. The company reported that its output for last month amounted to Pesos 188,096 from 5,260 tons of ore, March production was P212,783 from 5,100 tons

SUMMARY OF IMPORT LICENSE AND EXCHANGE CONTROL REGULATIONS IN PRINCIPAL FOREIGN COUNTRIES

In many countries foreign goods may not be imported unless covered by an import permit which must be obtained by the importer and in certain cases must have been granted before the order for the goods has been placed. Also in many countries, owing to the extreme scarcity of foreign exchange, particularly dollar exchange, the authorities require that an exchange permit be obtained before the goods may be paid for. Before shipping his goods, the exporter should make certain that the importer has obtained these permits, if required. He should insist upon being advised as to the number of the documents.

The following tabulation of the import and exchange permits required in foreign countries has been prepared as a guide to merchants regarding the regulations.

COUNTRY	Necessity for IMPORT PERMIT	Necessity for EXCHANGE PERMIT
Argentina	No; except for a selected list of commodities. Certain products are subject to import quota.	Yes; for all imports; granted only for "listed" products. Application should be filed prior to confirmation of purchase order.
Australia	Yes	Yes.
Austria	Yes	Yes; import permit does not automatically carry the right to foreign exchange.
Belgium-Luxembourg	Yes; for about 30 percent of the items of the customs tariff. Licenses are granted to importers who are entitled to "certificates of priority."	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes; for all imports; not being granted for luxury goods until exchange situation improves.	No; the import permit authorizes purchase of exchange, but is not a guarantee that exchange will be granted.
Brazil	Yes; for rubber goods, used machinery, and certain other items including jewelry, toilet preparations, cosmetics, plastic articles, manufactures of hides and skins, tin and tin plate, and chemical fertiliser.	Yes.
Bermuda	Yes	{ Yes; import permit generally assures release of foreign exchange.
British East Africa ..		
British Malaya		
British West Africa ..		
British West Indies ..		
British Guiana		
British Honduras ...		
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	Yes; for many products	Yes.
Ceylon	Yes	Yes.
Chile	Yes; must be obtained prior to shipment of goods.	Yes; in the form of a notation on the import permit.
China	Yes; quota system.	Yes; exchange is made available through approved banks for licensed imports.
Colombia	Yes; with certain exceptions; must be obtained prior to purchase of goods.	No; but import permit necessary to obtain foreign exchange.
Costa Rica	No	Yes; foreign exchange is rationed.
Cuba	No	No.

COUNTRY	Necessity for IMPORT PERMIT	Necessity for EXCHANGE PERMIT
Czechoslovakia	Yes	Yes; import permit carries the right to foreign exchange.
Denmark	Yes; on almost all commodities.	Yes.
Dominican Republic	No	No.
Ecuador	Yes; must be presented in order to obtain the consular invoice.	Yes; import permit carries the right to foreign exchange.
Egypt	Yes; unlicensed imports are subject to confiscation.	Yes.
Eire	For a few products only	Yes.
El Salvador	No	No.
Finland	Yes	Yes; import permit carries the right to foreign exchange.
France	Yes; obtainable for "essentials" only.	Yes; issued simultaneously with the import permit.
French Colonies	Yes	Yes; import permit carries the right to foreign exchange.
French Indo-China ..	Yes	Yes.
Germany	Imports controlled by the occupation authorities.	Payment is made by occupation authorities.
Greece	Yes; permits granted only for limited number of essential products.	Yes; import permit carries the right to open a letter of credit.
Haiti	No	No.
Honduras	No	Yes.
Hungary	Yes	Yes.
Iceland	Yes	Yes, unless otherwise stated on the permit, the import permit carries the right to foreign exchange.
India	Yes	Yes; import permit ordinarily carries the right to foreign exchange.
Iran	No	Yes.
Iraq	Yes; goods exported before a license is obtained are confiscated.	Yes; permits are obtained through licensed dealers.
Italy	Yes	Yes; through the Bank of Italy or its agents. The importer buys his dollar exchange on the basis of the daily free market rate.
Japan	Yes	No; trade with the United States is in United States dollars.
Korea	Yes	No.
Liberia	For arms and ammunitions only.	No.
Mexico	There is a long list of products which are prohibited from importation, and another list of commodities requiring an import permit.	No.
Neth. East Indies ..	No	Yes.
Neth. West Indies ..	Yes, quota system	Yes.
Netherlands	Yes	Yes ("payment attest").
Newfoundland	No; except for food products.	Yes.
New Zealand	Yes	Yes; import permit carries the right to foreign exchange.
Nicaragua	Yes; none are being issued except for certain goods in short supply.	No.
Northern Rhodesia ..	Yes	Yes.

COUNTRY	Necessity for IMPORT PERMIT	Necessity for EXCHANGE PERMIT
Norway	Yes	Yes; import permit carries the right to foreign exchange.
Pakistan	Yes	Yes; import permit ordinarily carries the right to foreign exchange.
Palestine	Yes; goods exported before the importer obtains the import permit will be confiscated.	Yes; import permit carries the right to foreign exchange.
Panama	No	No.
Paraguay	No	Yes.
Peru	Yes	Yes.
Philippine Republic	No; some system of import controls may be adopted.	No. A Foreign Funds Control Office is established in Manila, but blanket licenses are issued to banks for exchange transactions by bona fide firms.
Poland	Yes	Yes.
Portugal	Yes; for a considerable list of non-essential products.	No; no restriction on dollar transactions.
Portuguese Colonies	Yes; for a (relatively) few products.	No; no restrictions on dollar transactions.
Rumania	Yes	Yes.
Saudi Arabia	No	No.
Siam	No; import licences have been discontinued.	Yes; the government controls on the major part of foreign exchange are still in effect.
Spain	Yes; largely limited to essential raw materials.	Yes; import permit carries an allotment of foreign exchange.
Southern Rhodesia	Yes	Yes.
Spanish Colonies	Yes	Yes; import permit carries an allotment of foreign exchange.
Sweden	Yes; rigid controls. Special "free list" exempt from import license.	Yes; rigid exchange control in operation.
Switzerland	Yes; for a few commodities, mainly those under international allocation.	No difficulty in regard to exchange.
Syria and Lebanon	Yes	Yes.
Tangier	No	No.
Turkey	Yes	Yes; special exchange license from the Control Office.
Union of South Africa (including South West Africa, Basutoland, Bechuanaland and Swaziland)	No; except for a few products, usually under international allocation.	Yes; exchange permits are easily obtained.
United Kingdom	Yes; except for a few products.	Yes.
Uruguay	Yes	No; import permit carries the right to foreign exchange.
U.S.S.R.	Yes; importing government agencies responsible for securing own permit.	Yes; all exchange allocated by U.S.S.R. State Bank upon receipt of import permit.
Venezuela	No; except for 24 tariff items.	Import permit when required authorizes foreign exchange.
Yugoslavia	Yes	Yes.

